
BUSINESS

OVERVIEW

We are the leading real estate transaction service provider in China as we have the largest revenue from real estate agency services in the primary market in 2017, the most cities with both real estate transaction data and land data covered, and the second largest real estate brokerage network by the number of stores as of 31 December 2017, according to the Cushman & Wakefield Report. We mainly offer real estate agency services in the primary market, real estate data and consulting services and real estate brokerage network services. We serve real estate developers, buyers, brokerage firms and other industry participants, covering various aspects of the real estate value chain.

Since our inception in 2000, we have earned a respected reputation in China's real estate industry, and established a leading position in each of our main businesses:

- We generated revenue of RMB3.9 billion from real estate agency services in the primary market in 2017, and covered 186 cities as of 31 December 2017, making us the largest real estate agency service provider in the primary market in China by both measures, according to the Cushman & Wakefield Report. With our efficient operational management systems and flexible resource allocation, we are capable of selling megaprojects for China's largest real estate developers.
- We are the largest real estate data provider in China in terms of the number of cities with both real estate transaction data and land data covered, according to the Cushman & Wakefield Report. We believe that our "CRIC" brand is associated with broad geographic coverage, diverse service offerings, deep market insight and continuous innovation. Our research reports and rankings are highly cited and widely recognised for their authoritativeness, reliability and professional quality.
- We have pioneered an asset-light "S2B2C" business model, providing comprehensive services under our Fangyou brand to small and medium-sized brokerage firms in 32 cities in China as of 31 March 2018 and empowering them to better serve their individual customers. Since January 2016, we have created the second largest real estate brokerage network in China, according to the Cushman & Wakefield Report. Our nationwide Fangyou network had 5,211 Fangyou-branded stores as of 31 March 2018, competing against companies that primarily operate self-owned or franchised stores.

Our business benefits from our close relationships with many of China's most prominent real estate developers, particularly in light of the continuing trend of market consolidation in the real estate development industry. We have served all of the Top 100 Real Estate Developers or their respective related companies in China. Furthermore, 25 of the Top 100 Real Estate

BUSINESS

Developers are associated with our Shareholders*. In 2015, 2016 and 2017 and the three months ended 31 March 2018, we generated revenue of RMB895.5 million, RMB1,479.7 million, RMB2,118.8 million and RMB416.7 million, respectively, from these 25 developers, representing 33.0%, 37.0%, 45.7% and 44.8% of our total revenue in the respective periods. Country Garden, Vanke and Evergrande, the top three of the Top 100 Real Estate Developers and also our Shareholders, reported combined contracted sales of approximately RMB1.6 trillion for 2017. As of the Latest Practicable Date, we had entered into strategic cooperation agreements with 46 leading real estate developers with terms ranging from one year to six years. Our strategic relationships with these leading developers increase the stability and predictability of customer demand for our services across our three major business lines. As of 31 March 2018, we had a contracted pipeline of 227.2 million square metres of total GFA in 1,068 projects for our real estate agency services in the primary market, of which 124.8 million square metres were contracted with Evergrande, our largest customer during the Track Record Period.

Our three major business lines complement each other, generating powerful business synergies and abundant cross-selling opportunities. We collect a large amount of real estate data from the operations of our agency and brokerage network services, which continuously strengthen our proprietary databases and allow us to provide better data and consulting services. We leverage our data capabilities to provide real estate developers with various services at the early stages of real estate development projects, such as market research reports, positioning analysis and feasibility studies, which better positions us to serve real estate developers through our real estate agency services in the primary market and our real estate brokerage network services. In addition, we can help our developer customers expand their sales channels by sourcing buyers of new properties through Fangyou-branded stores and other real estate brokerage firms we cooperate with. In 2017, 2,093 new property units with a total GFA of approximately 190,005 square metres were sold to buyers we sourced for our developer customers in cooperation with Fangyou-branded stores and other real estate brokerage firms. Propelled by our three business engines and our asset-light business model, we experienced significant growth during the Track Record Period. Our revenue increased from RMB2.7 billion in 2015 to RMB4.6 billion in 2017, representing a CAGR of 30.6%, and increased by 8.8% from RMB854.8 million in the three months ended 31 March 2017 to RMB930.2 million in the three months ended 31 March 2018. Our profit and total comprehensive income for the year increased from RMB177.2 million in 2015 to RMB765.3 million in 2017, representing a CAGR of 107.8%, and increased by 12.8% from RMB135.1 million in the three months ended 31 March 2017 to RMB152.4 million in the three months ended 31 March 2018.

* Among the Shareholders of our Company, 15 Shareholders are respective subsidiaries of 15 of the Top 100 Real Estate Developers, including Country Garden, Vanke and Evergrande; five Shareholders are the respective controlling shareholders of another five of the Top 100 Real Estate Developers; three Shareholders are respective wholly-owned companies of directors of another three of the Top 100 Real Estate Developers; and in respect of each of another two of the Top 100 Real Estate Developers, our Shareholder is wholly-owned by a director of another company which has the same controlling shareholder as the respective Top 100 Real Estate Developer.

OUR STRENGTHS

We have strong customer and shareholder bases, and have established strategic relationships with many leading real estate developers in China.

Our business benefits from our close relationships with many of China's most prominent real estate developers. We have served all of the Top 100 Real Estate Developers or their respective related companies in China. The real estate development market in China has experienced significant consolidation in recent years, and the trend is expected to continue. According to the Cushman & Wakefield Report, the combined market share of China's Top 100 Real Estate Developers, as measured by contracted sales, increased from approximately 39.1% in 2015 to approximately 56.8% in 2017, and is projected to reach 62.8% to 65.8% in 2020. At the same time, developers in China have increasingly relied on competent third-party agency companies to sell new properties. According to the Cushman & Wakefield Report, the combined market share of China's top ten real estate consultancy and agency companies increased from approximately 12.0% in 2012 to approximately 17.1% in 2015, and is projected to reach 24.6% to 27.1% in 2020. With our strategic relationships with top developers and particular strengths in executing megaprojects, we believe that we are well positioned to capture the growth opportunities presented by these market trends.

Furthermore, 25 of the Top 100 Real Estate Developers are associated with our Shareholders. These 25 developers collectively recorded contracted sales of approximately RMB3.2 trillion and accounted for approximately 41.7% of the total contracted sales of the Top 100 Real Estate Developers in 2017, according to data set out in the Cushman & Wakefield Report. Country Garden, Vanke and Evergrande, the top three of the Top 100 Real Estate Developers and also our Shareholders, reported combined contracted sales of approximately RMB1.6 trillion in 2017, according to the Cushman & Wakefield Report.

We believe that our comprehensive and efficient services are critical to our solid relationships with top real estate developers. We are able to provide developers with a wide range of services throughout the real estate development lifecycle. At the project planning stage, we offer data-based consulting services to facilitate developers' strategic planning, such as city selection and land identification; at the development stage, we offer software and data based project design services as well as a massive database of parts and materials; at the sales stage, we offer marketing consultancy and sales services through both our on-site sales force and the Fangyou brokerage network.

Our long-term cooperation with leading real estate developers has been critical to our business and is expected to continue to drive our future growth. On average, we have over nine years of business relationships with our top five customers in 2017. As of the Latest Practicable Date, we had entered into strategic cooperation agreements with 46 leading developers with terms ranging from one year to six years. We work with our key customers to formulate annual sales targets. Our strategic relationships with these leading developers increase the stability and predictability of customer demand for our services across our three major business lines. As of 31 March 2018, we had a contracted pipeline of 227.2 million square metres of total GFA

BUSINESS

in 1,068 projects for our real estate agency services in the primary market. Our extended history of cooperation with top customers has also helped us standardise our sales and other business procedures, thereby improving our operational efficiency. Most importantly, our cooperation with top real estate developers is mutually beneficial. Our services enable our customers to seize market opportunities and increase their business scales, which in turn will generate higher demand for our services.

We are the influential leader in China’s real estate data and consulting market.

We have cultivated our “CRIC” brand since the creation of our original real estate information system in 2002. Today, “CRIC” is one of the best known brands in China’s real estate industry and widely regarded as an authoritative source of real estate data. We are the largest real estate data provider in China in terms of the number of cities with both real estate transaction data and land data covered, according to the Cushman & Wakefield Report. We believe our competitive strengths in real estate data and consulting include:

- *Market influence:* Our ratings and rankings are highly regarded and influential. Our “Rating and Research Report on Top 500 Real Estate Developers in China” is routinely cited to demonstrate a developer’s industry status, particularly during capital market transactions. Our top developer ranking is also used by the Shanghai Stock Exchange and the Shenzhen Stock Exchange as one of the criteria for screening issuers of domestic corporate bonds.
- *Breadth and depth of data:* Collected from an extensive variety of channels, our real estate data currently cover more than 86,000 residential projects, 20,000 commercial projects and 748,000 land parcels across 367 cities in China. With the vast amount of market, project, company and customer data we have accumulated in over 15 years, we believe our CRIC Systems are difficult to replicate for our existing and potential competitors.
- *Innovation:* We have extensive experience and strong capabilities in research and development, allowing us to continuously develop innovative products to address our customers’ evolving needs. We have launched several new products, including the CRIC data marketing system, the CRIC investment decision-making system and the YiLou mobile app. We have registered over 50 copyrights in China in relation to our real estate data and consulting services.
- *Tailored consulting services:* Leveraging our powerful data systems, we are able to provide real estate consulting services that are tailored to meet the needs of our customers through various stages of real estate projects, covering tourism properties, senior care properties, commercial properties, industrial properties and city operations.

BUSINESS

Our data and consulting services have powerful business synergies with our two other business lines, generating abundant cross-selling opportunities. Leveraging our data capabilities, we are able to provide real estate developers with various services at the early stages of real estate development projects, such as market research reports, positioning analysis and feasibility studies, which better positions us to gain agency contracts. At the same time, we collect a large amount of real estate data from the operations of our agency and brokerage network services, which continuously strengthen our proprietary databases and allow us to provide better data and consulting services.

Our large business scale and professional sales force differentiate our real estate agency services in the primary market and well position us to execute complex sales projects.

Our unparalleled geographic coverage, large business scale and extensive experience enable us to provide top real estate developers with efficient agency services. We generated revenue of RMB3.9 billion from real estate agency services in the primary market in 2017 and covered 186 cities as of 31 December 2017, making us the largest real estate agency service provider in the primary market in China by both measures, according to the Cushman & Wakefield Report. Through our history of executing over thousands of real estate sales projects, we have accumulated valuable experience and developed a mature operational system that focuses on rigorous monitoring, effective staff training and efficient internal management.

In particular, our large business scale and efficient project management give us a competitive edge in executing megaprojects for top real estate developers. In the early stage of a large sales project, we work closely with the developer to jointly formulate our marketing service plan, which is customised for the specific project. We establish a dedicated team comprised of carefully selected sales staff for each project. To ensure the successful launch of a large sales project, we often deploy a large number of sales professionals to the project site. Our nationwide coverage also allows us to efficiently coordinate our resources, provide timely feedback, and make quick adjustments to our project execution. During the Track Record Period, we successfully executed multiple complex sales projects, some of which have an annual transaction value over RMB5 billion in one or more years, including Evergrande Venice with a total GFA of approximately 7 million square metres and Luneng Mansion with a total GFA of over 200,000 square metres. Leveraging our extensive experience in project opening, sales and marketing, and the acquisition, management and service of property purchasers, we are able to improve the sales efficiency and help developers reach their sales goals.

We have pioneered an innovative asset-light business model to integrate and empower small and medium-sized real estate brokerage firms.

We have pioneered an asset-light “S2B2C” business model to empower and integrate small and medium-sized brokerage firms under our Fangyou brand. Under this business model, we provide comprehensive online and offline services (“S”) to small and medium-sized real estate brokerage businesses (“B”) to help them better serve their individual customers (“C”). We do not open our own real estate brokerage stores, nor do we directly carry out our own real estate brokerage business in the secondary market. As a result, we have been able to quickly develop a nationwide brokerage network without substantial capital investments.

BUSINESS

We believe that small and medium-sized brokerage firms are most likely to achieve success with maximal service empowerment and minimal operational interference. We allow Fangyou-branded stores to enjoy the best of both worlds: greater autonomy than franchised stores, and better brand and service support than unaffiliated stores. Brokerage firms that join our Fangyou network enjoy enhanced brand recognition, easy-to-use management software and extensive knowledge and other resources. In addition, we mobilise Fangyou-branded stores and other cooperating real estate brokerage firms to source buyers of new properties for our developer customers. Such sales have expanded our revenue source as well as that of the participating brokerage firms, creating a win-win scenario. At the same time, the extensive network of cooperating real estate stores also helps us better serve our developer customers by generating off-site property sales.

Since January 2016, we have created the second largest real estate brokerage network in China, according to the Cushman & Wakefield Report. As of 31 March 2018, our nationwide Fangyou network had 5,211 Fangyou-branded stores in 32 cities. In 2017 and the three months ended 31 March 2018, we cooperated with Fangyou-branded stores and other cooperating real estate brokerage firms mainly in three cities, Hangzhou, Shanghai and Zhengzhou, to source buyers of new properties for our developer customers, and in 2017, these brokerage firms collectively sourced buyers for 2,093 new property units with a total GFA of approximately 190,005 square metres and an aggregate transaction value of RMB6.1 billion. As we mobilise brokerage firms in more cities to sell new properties, we expect our Fangyou network will make increasingly greater contribution to our overall business.

We have an experienced and stable management team and an effective staff training system.

Our management team has extensive real estate experience and expertise. We are led by our co-founder and chairperson, Mr. Zhou, a well-recognised expert with over 20 years of experience in China's real estate industry. Mr. Zhou has received numerous awards in recognition of his achievements and industry status. In 2016, for example, he was named one of the "Person of the Year of Chinese Economy" and awarded a "China Business Leader Award". Like Mr. Zhou, many of our other senior management team members were also early participants in China's real estate industry. Our senior management team has extensive industry experience and possess strong expertise in real estate services, data analytics and other relevant fields. Our stable senior management team has served us for over 12 years on average. We believe that our experienced and stable management team has contributed significantly to our past success and will continue to contribute to our further growth.

We believe that a sales staff which can provide high-quality professional services consistently and an effective management team are critical to our successful expansion into new markets and the enhancement of our brand name. We have therefore devoted significant efforts to our personnel training and management systems. We have designed tailored training programme for employees in different functional departments and at different management levels. For city operational leaders, we sponsor them to attend executive management courses at top domestic and international business schools. For mid-level managers, we offer courses

BUSINESS

that promote career advancement and leadership skills. We have also established the “Yijia Institute” to provide comprehensive training to our employees. We have a well-rounded staff evaluation system that incentivizes our employees to improve sales volume, efficiency and customer experience. Through performance-based compensation schemes, we aim to enhance employee satisfaction and manage our turnover rate. Our effective human resource management is evidenced by the many awards we have received, including the “Employer Excellence of China” award from the recruiting website 51job.com in both 2016 and 2017.

OUR STRATEGIES

To strengthen our position as China’s leading real estate transaction service provider, we intend to pursue the following strategies:

Strengthen our leadership position in real estate agency services in the primary market

Real estate agency services in the primary market have traditionally been our core business and accounted for a large percentage of our revenue. We plan to further strengthen our leadership position in the industry by further expanding our geographical footprint in China. We intend to further expand our presence in third- and fourth-tier cities and achieve complete nationwide coverage. We plan to enter into 52 additional cities (consisting of 51 third- and fourth-tier cities and one second-tier city) and further improve our service capacity in 38 of the 186 cities we currently cover. To achieve these objectives, we plan to lease additional office space for the expanded operations, purchase equipment for the daily operations of the expanded operations, and recruit additional employees for the expanded operations. In addition, we intend to seize the opportunities presented by the continued consolidation in China’s real estate development industry and further enhance our strategic cooperation with the Top 100 Real Estate Developers. We have entered into strategic cooperation agreements with 46 leading real estate developers in China. We believe our comprehensive and in-depth strategic cooperation with these real estate developers will further drive the growth in the total GFA and transaction value of properties we sell.

Further expand our Fangyou network and the revenue source of our Fangyou brokerage network

We created the Fangyou real estate brokerage network with an innovative “S2B2C” business model in early 2016. Since then, we have created a nationwide brokerage network with 5,211 Fangyou-branded stores in 32 cities as of 31 March 2018. We plan to accelerate the expansion of our brokerage network, aiming to increase the number of Fangyou-branded stores to 10,000 and cover approximately 52 cities by the end of 2018. To attract more brokerage firms to join the Fangyou network, we plan to provide them with more and better empowerment services, helping them better serve their individual customers. We are continuously developing our E-House Fangyou Management System and related mobile apps. These tools are designed to help Fangyou-branded stores realize digitalised efficient management of their operations, make it more convenient for brokers to publish their inventories and for their prospective customers to find housing products. By increasing the efficiency and attractiveness of our brokerage network, we aim to increase the loyalty of Fangyou-branded stores.

BUSINESS

We envision that a nationwide brokerage network can become a large and efficient network for us to source buyers of new properties for our developer customers, further enhancing our value propositions to real estate developers. In 2017 and the three months ended 31 March 2018, we cooperated with Fangyou-branded stores and other cooperating real estate brokerage firms mainly in three cities, Hangzhou, Shanghai and Zhengzhou, to source buyers of new properties for our developer customers. Commissions received from these sales have become a new and fast growing revenue source for us. In 2017, 2,093 new property units with a total GFA of approximately 190,005 square metres were sold to buyers we sourced for our developer customers in cooperation with Fangyou-branded stores and other real estate brokerage firms. We intend to duplicate our success in more cities, and cooperate with brokerage firms in approximately 52 cities across China to source buyers of new properties for our developer customers by the end of 2018. Leveraging our internal resources and external contacts in the real estate industry, we also plan to further diversify our revenue sources through our Fangyou network, such as by offering apartment rental, real estate financing, relocation and home decoration services provided by our business partners. We will continue to expand our service offerings and are committed to be a one-stop solution provider for real estate industry participants.

Further enhance our influence in the real estate industry

Brand recognition is important to the development of our business. “E-House” and “CRIC” are among the best known and most reputable brand names in China’s real estate industry. We plan to further promote our brand recognition and industry influence by regularly organizing industry conferences, seminars, product releases and other promotional events.

Our ratings and rankings of real estate developers are well received in China’s real estate industry. Inclusion in our rankings is often regarded as an indicator of prestige by real estate developers. We intend to further optimise our assessment methodologies to maintain and enhance the quality of our rating and ranking products, and thereby further strengthen our reputation and market influence.

Invest in research and innovation

We plan to continue to make significant investments in research and development to promote innovation in each of our major business lines.

For our real estate agency services in the primary market, we plan to further optimise our marketing and management system to improve our operational efficiency.

For our real estate data and consulting services, we plan to further expand the variety and scope of our databases and upgrade our core data management platform, which we believe will help us develop new and innovative data applications. In addition, we plan to explore innovative marketing channels for our real estate data and consulting services. For example, we intend to promote our research and data analytical capability through new media platforms to enhance our market influence. Moreover, we aim to expand the application scenarios of our

BUSINESS

data capability to add new sources of revenue. For example, we plan to explore the application of real estate data analytics in governmental activities. Specific industry sectors on which we plan to increase our research efforts include: (i) featured towns (特色小鎮), (ii) commercial properties, (iii) uses of commercial space such as shared work space and rental apartments, (iv) cultural and tourist properties, (v) health and senior care properties, and (vi) industrial properties. For each of these sectors, we plan to develop comprehensive databases as well as rating and assessment systems to serve a variety of customers, including, among others, governments, real estate developers, service providers and investors.

For our real estate brokerage network services, we plan to further improve our information management solutions for Fangyou-branded stores' brokerage services. We have developed a real estate management system and mobile apps designed for Fangyou-branded stores and their brokers. We plan to continuously optimise these tools to meet brokers' evolving needs and help them improve business management efficiency.

In addition to our research and innovation efforts in each of our three business lines, we have also internally established the Real Estate Innovation Centre to carry out research on innovative businesses, with a view to expanding the scope of consulting services that we provide to our clients. We primarily focus on researching innovative businesses that combine different sectors, such as shared work space and serviced apartments, and various types of innovation through which traditional real estate companies realize their attempted business transformation.

Invest in our employees to better serve our clients

As a service provider, we rely on qualified employees to provide quality services to our clients. Maintaining a team of experienced and capable employees is of great importance to our business operations and future development. Therefore, we are committed to recruiting talented employees and continuously improving our employees' service capacity through internal and external trainings. We plan to standardise our recruitment procedures and expand our recruitment channels, such as joint cultivation of prospective employees with educational institutions. We plan to cooperate with vocational colleges to establish education programs that are tailored specifically to meet our requirements for our future employees. To cultivate our potential future employees, we plan to help cooperating vocational colleges establish workplace simulation training studios and award scholarships to outstanding students. In terms of training, we plan to establish training centres in major cities where we operate our business. For our management personnel, while we provide them with numerous opportunities to improve their capabilities, we will also put in place systematic evaluation and assessment procedures to ensure they are qualified to undertake more responsibilities.

OUR SERVICES

Overview

We primarily provide the following three types of services:

- real estate agency services in the primary market;

BUSINESS

- real estate data and consulting services; and
- real estate brokerage network services.

The following table sets forth a breakdown of our revenue, both in absolute amounts and as percentages of our total revenue, for the periods presented:

	For the Year Ended 31 December						For the three months ended 31 March			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
	(unaudited)									
Real estate agency services in the primary market	2,336,540	86.0	3,568,575	89.3	3,926,722	84.7	654,706	76.6	734,757	79.0
Real estate data and consulting services	379,906	14.0	396,397	9.9	629,422	13.6	185,758	21.7	167,633	18.0
Real estate brokerage network services	-	-	31,157	0.8	77,216	1.7	14,330	1.7	27,812	3.0
Total	2,716,446	100.0	3,996,129	100.0	4,633,360	100.0	854,794	100.0	930,202	100.0

Real Estate Agency Services in the Primary Market

The provision of marketing and sales services in the primary residential real estate market to real estate developers has traditionally been our core business. The revenue generated from our real estate agency services in the primary market accounted for 86.0%, 89.3%, 84.7% and 79.0% of our total revenue in 2015, 2016 and 2017 and the three months ended 31 March 2018, respectively. The following table sets forth a breakdown of our revenue from real estate services in the primary market by city tiers, both in absolute amounts and as percentages of our total revenue, from real estate agency services in the primary market for the periods presented:

	For the Year Ended 31 December						For the three months ended 31 March			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except for percentages)									
First-tier cities	645,988	27.6	833,028	23.3	732,762	18.7	116,093	17.7	164,503	22.4
Second-tier cities	1,116,824	47.8	1,615,796	45.3	1,721,724	43.8	248,576	38.0	326,150	44.4
Third- and fourth-tier cities	573,728	24.6	1,119,751	31.4	1,472,236	37.5	290,037	44.3	244,104	33.2
Total	2,336,540	100.0	3,568,575	100.0	3,926,722	100.0	654,706	100.0	734,757	100.0

BUSINESS

Revenue from real estate agency services in the primary market in first-tier cities decreased from 2016 to 2017 primarily due to the tightening of certain restrictive policies on the purchases of residential properties in these cities.

The following table sets forth selected operating statistics related to our real estate agency services in the primary market:

	For the Year Ended 31 December			For the three months ended 31 March	
	2015	2016	2017	2017	2018
Total GFA of new properties sold (millions of square metres)	26.1	35.5	37.2	6.2	6.6
Total value of new properties sold (millions of RMB)	267,468	406,078	432,982	73,480	83,306
Average commission rate ⁽¹⁾	0.87%	0.88%	0.91%	0.89%	0.88%
Total GFA of contracted pipeline properties ⁽²⁾ at the end of the year/period (millions of square metres)					
First-tier cities	7.7	7.5	9.4	N/A	13.2
Second-tier cities	83.2	92.5	113.7	N/A	135.1
Third-and fourth-tier cities . .	70.0	65.4	83.0	N/A	78.9
Total	160.9	165.4	206.0	N/A	227.2

Notes:

- (1) *Average commission rate equals revenue derived from real estate agency services in the primary market divided by total value of new properties sold.*
- (2) *Contracted pipeline properties represent new properties which we have been contracted to sell under specific project-based real estate agency agreements but have not yet sold at the relevant time.*

Based on our historical experience and information currently made available to us by our developer customers, particularly their estimated timings of obtaining the required sales permit and launching sales, we expect that, of the total GFA of contracted pipeline properties at the end of 2017, approximately 25-30% will be available for sale in 2018, approximately 20-25% will be available for sale in 2019, and the rest will be available for sale in subsequent years.

We have established an extensive real estate sales network in the primary market covering 186 cities in 30 provinces, municipalities and autonomous regions across China as of 31 March 2018 and had a team of over 16,000 sales and marketing employees as of 31 March 2018.

Our real estate agency services in the primary market primarily include formulating and executing marketing and sales strategies for real estate projects developed by our customers, promoting the projects to prospective purchasers, and facilitating sales transaction. For most sales projects, our developer customers are responsible for their advertising and other promotional activities.

BUSINESS

We usually commence our real estate agency services in the primary market by preparing a customised marketing plan for the project after we are engaged by a developer. We help our developer clients develop a signature identity and brand that are distinctive to a project, establishing long-term awareness of the project among prospective purchasers in the primary market and benefiting future sales in the secondary market. Leveraging our comprehensive CRIC databases, we advise our developer clients on running effective advertising campaigns, such as which geographic areas and advertising channels to prioritise.

Once a development project is ready to enter the sales phase, we station sales staff specially trained for the project at the project site until most of the units are sold. The size of the team of sales personnel varies, depending on the size of the property project. Generally, more sales personnel will station on-site during the first few weeks after a property is newly launched and/or when dealing with larger property projects. Our sales staff provide prospective buyers with a presentation of the architectural, design and construction aspects of the property as well as information on the surrounding community and amenities, recommend appropriate floor plans based on their purchase criteria and accompany the prospective buyers to tour the units and the project amenities. Our sales staff also pursue sales leads and provide further assistance to interested buyers.

Our large business scale and efficient project management give us a competitive edge in executing megaprojects for top real estate developers. During the Track Record Period, we successfully executed multiple complex sales projects, each with an annual transaction value over RMB5 billion. For example, for the Evergrande Venice project in Nantong, Jiangsu Province, we sold new units with a total GFA of 698,100 square metres and a total value of RMB4.6 billion in 2016, and new units with a total GFA of 768,600 square metres and a total value of RMB6.5 billion in 2017. The successful execution of such projects demonstrates our ability to mobilise our sales staff and allocate other resources to successfully handle complex and large-scale sales projects.

To better serve and maintain the close relationships with our key developer customers, we have entered into strategic cooperation agreements with 46 leading real estate developers in China. These agreements have terms ranging from one year to six years, under which we and each developer agree that we will provide consulting, data and sales services to the developer, including sales through our Fangyou brokerage network. In the strategic cooperation agreements with parties related to our Shareholders, we also generally agree that we will cooperate with each other on a priority basis in the area of real estate agency services in the primary market and strive to achieve a non-binding annual sales target. These strategic relationships provide us with a substantial increase in our project pipeline for future sales. They also help us expand into new cities and regions. Normally, our strategic cooperation with real estate developers is not exclusive. Under certain strategic cooperation agreements, however, we serve or have the priority to serve as the exclusive sales agent for the developer customers for certain projects, which provides us with a stable source of revenue.

BUSINESS

For each specific real estate project, we enter into a detailed agency agreement with the relevant developer customer. Some agency agreements have fixed terms, generally one year, and are renewed periodically. Other agency agreements do not have fixed terms and terminate after we sell all or almost all of the properties allocated to us. If we fail to sell a certain percentage of all properties to be sold within a certain period of time, the customer generally has the right to unilaterally terminate the agreement with us. The commissions we receive are usually either at a fixed percentage or a progressive percentage based on our sales performance. Some agreements also provide for bonus commissions for sales achieved above the pre-determined levels. We may also be required not to provide real estate agency services in the primary market to other developers in nearby areas during the term of a specific agency agreement.

We sometimes allow certain real estate developers to settle a limited percentage of the total amount payable to us by transferring to us certain properties they develop. We then resell such properties for cash. In 2015, 2016 and 2017 and the three months ended 31 March 2018, we received the right to sell 114, 11, 47 and 7, respectively, property units in lieu of service fees of RMB137.3 million, RMB14.4 million, RMB71.0 million and RMB3.0 million, respectively.

Real Estate Data and Consulting Services

Our real estate data and consulting services are designed to meet the needs of developer clients at various stages of the project development and sales process and other clients with particular requests and needs. Our real estate data and consulting services mainly include data services, rating and ranking services, and consulting services. Real estate data and consulting services accounted for 14.0%, 9.9%, 13.6% and 18.0% of our total revenue in 2015, 2016 and 2017 and the three months ended 31 March 2018, respectively.

Data services

Since the launch of our data business in 2002, we have compiled vast amounts of real estate-related information in our CRIC Systems, which are a series of proprietary real estate databases and analysis systems. After over ten years of development, our CRIC Systems have become industry-leading real estate data systems that are frequently used by users on a daily basis. Our CRIC Systems currently include information on over 86,000 residential projects, 20,000 commercial projects and 748,000 land parcels, covering 367 cities in China. The information in our CRIC Systems also includes real estate-related news, macroeconomic, demographic and real estate industry-specific statistics, and research reports about the real estate industry in China.

We collect data from various sources. Our sales staff and other employees collect a large amount of first-hand data during site visits or sales processes. For the data that are difficult or inefficient to collect in person, we purchase them from third-party data providers. Currently we primarily purchase two types of third-party data. First, we purchase data related to advertising activities of real estate developers, such as the frequency, format and channels of

BUSINESS

advertisements. Through these data we are able to better understand the marketing strategies and costs of developers, which helps us improve the CRIC real estate decision making consultation software and our research reports. Second, we purchase aggregated data related to specific demographics, such as life habits, online behaviors and consumption preferences. These data help us improve our CRIC data marketing system and provide better marketing advice to our developer customers. These third-party data are a useful supplement to, but not core components of, our CRIC Systems and do not contain personal information. In addition, we also aggregate publicly available data from government authorities and other organisations. We do not collect or store personal information of individuals, such as names, contact information or ID numbers, in our CRIC Systems.

Leveraging the powerful CRIC Systems, we provide our customers with a wide range of data services. Our core data product is the CRIC real estate decision-making consultation software. In addition, we have also launched several other products to cater to our customers' diverse needs, including the CRIC data marketing system, the CRIC investment decision making system and the Zhuxiang system.

For our data services, we generally enter into agreements with terms ranging from a few months to one year. Upon the expiration of an agreement, we negotiate with the client for a new agreement, which may include new pricing terms and different coverage. The service fee usually is a fixed amount depending on the number of cities covered, modules subscribed and user accounts, as well as the amount and type of additional services we provide. The payment can be made in a lump-sum or by instalments depending on the nature and scope of services we provide in each case.

(1) *CRIC real estate decision-making consultation software*

Our CRIC real estate decision-making consultation software has six modules. Our clients can subscribe to one or more of these modules based on their specific needs.

The following table summarises the functions of these six modules:

Modules	Main Functions
CRIC Market Adviser	<ul style="list-style-type: none">• Quick search of information relating to real estate transactions covering 123 cities across China• Multi-dimensional statistical analysis and comparison on the real estate market• Monitoring of competitors' transaction data; comparison with other competing projects/products• Search of the latest information on new real estate projects and rankings of project and land transactions across China• Professional tools facilitating easy and quick generation of market reports

BUSINESS

Modules	Main Functions
CRIC Land Adviser	<ul style="list-style-type: none"> • Various search and smart mapping tools enabling our developer clients to keep up with the latest land-related information • Multidimensional land statistics and proprietary ranking of available land parcels covering 367 cities across China from various angles • Professional land analysis reports facilitating land acquisition by our developer clients
CRIC Commercial Adviser	<ul style="list-style-type: none"> • Comprehensive database covering 42 major cities in China, enabling our clients to obtain one-stop commercial information across China • Thorough analysis of commercial market from multiple levels and dimensions • Leveraging our proprietary risk assessment system to evaluate the commercial risks of a given city • Extensive commercial brand library enabling a comprehensive search of business information
CRIC Enterprise Adviser	<ul style="list-style-type: none"> • Comprehensive and thorough analysis of real estate development enterprises in China on various dimensions, from development strategies, sales and marketing to land acquisitions, project development, stock price analysis and financial performance • Accurate and in-depth analysis of competing enterprises' strategies • Customised real-time comparisons against well-known real estate enterprises
CRIC Project Adviser	<ul style="list-style-type: none"> • Providing developer clients with professional property price analysis and transaction data monitoring • Providing developer clients with analysis of their competitors' transaction prices and marketing information of competing projects via timely push notifications
CRIC PLUS	<ul style="list-style-type: none"> • Integrating the most popular functions of the CRIC Systems • Emphasising the correlation between residential transactions and basic information • Improved search of land, businesses and office buildings with more comprehensive data coverage • Additional enterprise database search with more detailed information

Our customers can also subscribe to certain topical analytical reports prepared by our in-house research team based on the data in our databases. These reports provide our customers with another layer of insight on certain popular areas through our analysis of the massive amount of data.

(2) *CRIC data marketing system*

Our CRIC data marketing system helps our developer customers achieve more precise marketing and pinpoint targeted customers. Upon request by our developer customers, our CRIC data marketing system constructs base profiles of prospective property buyers by aggregating and analysing the behaviour and consumption habits of the visitors to on-site sales offices of the projects developed by our developer customers. Based on these profiles and other data resources, our CRIC data marketing system captures more prospective property buyers in the general population with similar attributes to those of the base profiles, which significantly improves the efficiency of our clients' marketing activities. Our CRIC data marketing system continuously supplements and adjusts the prospective property buyers' profiles by monitoring the actual effectiveness of the suggested marketing strategies. The suggested marketing strategies will also be updated based on the updated profiles to ensure the marketing efforts are effective and timely. This online marketing system can also provide our developer clients with strategies for their offline marketing and thus improve the effectiveness and efficiency of their overall marketing efforts.

Our CRIC data marketing system has two modules: precise marketing module and visitor analysis module. The precise marketing module analyses incoming phone calls and online clickthroughs by different groups of individuals to help our customers increase the efficiency of online marketing. The visitor analysis module mainly conducts deep analysis on the visitors to the customers' on-site sales offices to ensure the accuracy of prospective buyer characteristics that are used by the precise marketing module.

(3) *CRIC investment decision-making system*

To facilitate our clients' investment decision-making, we developed the CRIC investment decision-making system to provide our clients with insightful information and smart tools for their investment decision-making. Our CRIC investment decision-making system provides assistance to our clients throughout the three major steps in a real estate investment process, namely, city selection, sector selection and land identification:

- *City selection.* By applying over 400 parameters, our decision-making system first helps our clients narrow down the number of cities that fit their development strategies. These parameters cover a variety of aspects that our clients usually consider when determining whether to enter a geographical market, including the general condition of a city, its land market, as well as the current development status of its real estate industry. After narrowing down the possible choices, our system can perform a comparative assessment of all

potential cities and generate a ranking of those cities. Our smart tools present such ranking, together with other related information, directly on a map to facilitate our clients' decision-making.

- *Sector selection.* Using multi-dimensional model analysis, our decision-making system evaluates the investment opportunities for various real estate sectors they are interested in. It also enables our clients to compare and analyse the sectors and monitors the changes of relevant data. As in the case of city selection, our smart tools can present relevant information and analysis results on a map to help our clients easily digest the information.
- *Land identification.* Our decision-making system can present the land market condition of a city conveniently on the map. It can also present the historical information and current status of a specific land parcel, nearby real estate projects, as well as other related information to enable a comprehensive evaluation of that piece of land. The system keeps our clients abreast of the latest land market trends, predicts future development and helps our clients manage risks and make strategic planning. In addition, the system can conveniently present a comprehensive land report by virtue of our rich data support and a variety of functional modules.

(4) *Zhuxiang system*

Our Zhuxiang system mainly provides software and data services and related consulting services to developer clients during the project design stage and the project development stage. Our Zhuxiang system currently has more than 2,800 users in the real estate industry, including certain Top 100 Real Estate Developers. The industry chain data in our Zhuxiang system covers information on over 39,000 suppliers and more than 96,000 parts and materials. Through our Zhuxiang system, we provide two types of services: product standardisation services and material procurement consulting and brand database services.

Product standardisation services. We offer product standardisation services and consulting services to help our clients streamline project management. Relying on our proprietary CPA 1.0 standard application platform and CPA 2.0 full life cycle management platform, we help our clients realise dual-track management and control of standard product data and project development progress, improve project quality and reduce the cost of construction and installation.

Material procurement consulting and brand database services. Leveraging our proprietary procurement database, we provide procurement consulting services, such as consultation on technical specifications of various raw materials. Our professional advice can serve as the technical basis for our clients to assess the bids they received from suppliers, which greatly facilitates their procurement process. Our supplier brand database contains a vast amount of supplier information and is able to sort and recommend suitable suppliers and raw materials to our developer clients. While satisfying real estate developers' procurement demands, our services also help suppliers pinpoint their targeted customers.

BUSINESS

Rating and ranking services

Leveraging our strength in real estate data, we began to offer real estate rating and ranking services. After more than a decade's efforts on and commitment to in-depth research and analysis on the real estate industry, we have established an authoritative data research and analysis system and published various research reports and rankings for seven consecutive years.

The following table summarises our main rating and research reports:

Rating and research reports	Description
Rating and Research Report on Top 500 Real Estate Developers in China	Comprehensive research on the top 500 real estate developers in China from seven aspects, namely, enterprise scale, risk management, profitability, development potential, operational performance, innovation and social responsibility
Rating and Research Report on Listed Chinese Real Estate Companies	Comprehensive research on China-based real estate companies publicly listed in, among others, China, Hong Kong, Singapore and the United States from eight aspects, namely, operational scale, risk-resistance ability, profitability, development potential, management efficiency, innovation ability, social responsibility and capital market performance
Rating and Research Report on the Brand Value of Chinese Real Estate Enterprises	Scientific research on the brand value of real estate developers and other related enterprises in the industrial chain
Rating and Research Report on Real Estate Development Potential of Tier 3 and Tier 4 Cities in China	Comprehensive research on the development potential of real estate markets in Tier 3 and Tier 4 cities in China based on analysis of real estate property supply and demand arising from the cities' development needs and various external factors

The following table sets forth our main rankings and their publication frequencies:

Rankings	Frequency
Sales Ranking of Top 200 Real Estate Companies in China in 2017 (2017年中國房企銷售排行榜TOP200)	Monthly
Ranking of Top 30 Real Estate Companies in China by Commercial Value of New Land Reserve (中國房地產企業新增貨值排行榜TOP30)	Monthly
Brand Recognition Ranking of Top 100 Real Estate Companies in China (中國房地產企業品牌傳播力排行榜TOP100)	Monthly
Operating Revenue Ranking of Top 30 Real Estate Developers in China in 2017 (2017年中國房企運營收入排行榜TOP30)	Quarterly
Sales Ranking of Top 100 Real Estate Projects in China (中國房地產項目銷售排行榜TOP100)	Monthly

BUSINESS

Our research reports and rankings are well regarded and influential among China's real estate industry participants. For example, our "Rating and Research Report on Top 500 Real Estate Developers in China" is routinely cited to demonstrate a developer's industry status, particularly during capital market transactions. Our top developer ranking is also used by the Shanghai Stock Exchange and the Shenzhen Stock Exchange as one of the criteria for screening issuers of domestic corporate bonds.

We strive to produce objective, independent reports and rankings, and we do not charge any developer for being included in our reports and rankings. We generate revenue from our rating and ranking services by providing value-added services after we have completed the relevant reports or rankings. For example, we can help customers compile media reports on our ratings and rankings related to the customers for use in their marketing activities. We can also conduct more in-depth studies on a specific customer to supplement our main rating reports and help it analyse its market positioning and brand awareness. We generally enter into agreements with terms no more than one year. Customers are generally required to pay all or a majority of the service fees shortly after the agreement is signed.

Consulting services

Leveraging our powerful data systems, we are able to provide real estate consulting services that are tailored to meet the needs of our developer clients throughout the design, development and sales stages and address specific issues encountered by them. In addition to developer clients, we also provide real estate consulting services to commercial banks, real estate trade associations and governmental property and planning agencies, as well as investors interested in investing in the real estate industry.

We provide consulting services to real estate developer clients at various stages of the development of a project. At the initial stage, we advise real estate developers on and facilitate the transfer of land development rights. After real estate developers acquire the right to develop a piece of land, we offer a variety of services. For example, we conduct project feasibility studies which include general information on market conditions and trends and information concerning the demographics and the existing and projected amenities in the area where the project will be located. We also provide a comprehensive analysis of the real estate transaction history of nearby development projects, including average sales prices and sales activities, marketing and advertising campaigns employed, amenities and services offered and demographics targeted by these projects. We work with developers to define the targeted demographic and determine the optimal unit size, price schedule, interior and landscaping design criteria, construction material and the services and amenities for each development phase. After the development of a project, we provide marketing and advertising consulting services on the sale of the project.

Our core real estate consulting services primarily focus on five types of properties:

- *Tourism properties.* We provide developer clients with one-stop consultation services to help them make correct decisions, realise successful sales and long-term operation, and achieve their strategic goals.

BUSINESS

- *Senior care properties.* We provide developer clients with strategical research on the senior care property market, senior care product line, market feasibility, strategic positioning, project development and operation, as well as supplier management.
- *Commercial properties.* We provide commercial real estate developers with full-spectrum consulting services including market research and project positioning analysis at the initial stage, business consulting and promotion consulting at the middle stage, and operation and management consulting at the last stage.
- *Industrial properties.* Relying on our rich resources, we provide governments and real estate developers with consulting services that help them with the overall strategic positioning and development and operation strategies of industrial parks.
- *City operations.* We rely on the latest research results in the industry to provide governments and real estate developers with highly integrated professional consulting services relating to city development and operation strategies, such as city development plans, operation model, and investment and economic budget for the development of new city areas.

For our consulting services, we generally enter into agreements with terms no more than one year. The service fee is charged at a pre-negotiated fixed amount determined based on the content of our consulting report, as well as the human resources and time we devoted in the provision of the consulting services. The service fee can be made in a lump sum or by instalments after certain specified project milestones.

In addition, we also provide comprehensive transaction advisory services to real estate developers to help them complete real estate transactions with other developers. The services we provide primarily include project related research and analysis, such as local real estate market research and strategic positioning of the development project, and transaction related facilitation services, such as searching interested purchasers of specific real estate development projects, as well as drafting, negotiating and executing transaction agreements. After execution of the transaction agreements and the settlement of transaction price, we receive commissions from the developer who engaged us.

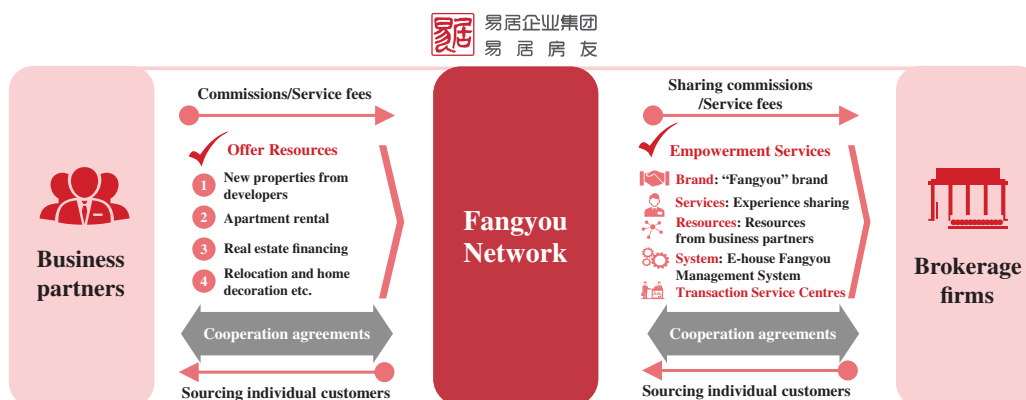
In addition to residential properties, we also offer transaction services relating to commercial properties. In January 2018, we launched a mobile app, YiLou, to streamline such services. YiLou is an information platform where potential sellers, through us, may post information relating to the commercial property to be sold. Agents of potential investors can access basic information of such real estate on a free basis through the YiLou app. Agents can also have access to more information of such property, such as detailed information of the seller and risk alerts relating to the property. If they are interested in any posting, agents can approach us. Upon request, our research team can issue an evaluation report regarding the property to facilitate their further decision-making and organise face-to-face discussion and negotiation. We do not charge any fees for posting information on the app but we will charge fees for issuing evaluation reports, and organising face-to-face discussion and negotiation.

Real Estate Brokerage Network Services

We launched our real estate brokerage network services under the “Fangyou” brand in January 2016 to integrate small and medium-sized real estate brokerage firms in China. We believe a large and active network of Fangyou-branded stores is an attractive value proposition to potential business partners in need of an effective marketing channel to reach a large number of individual customers. These business partners may include various vendors and service providers in the real estate and other related industries. As the first major initiative to generate revenue from the Fangyou network, we currently utilise the Fangyou network to source buyers of new properties for our developer customers. In the future, we may also explore other revenue sources through our Fangyou network, such as by offering apartment rental, real estate financing, relocation and home decoration provided by our business partners.

To attract small and medium-sized real estate brokerage firms to become Fangyou-branded stores, we empower them with resources and services they can use in their business operations. These small and medium-sized brokerage firms primarily provide real estate brokerage services in the secondary market, but may also provide real estate agency services in the primary market and other ancillary services if they have the relevant resources. Leveraging our full spectrum of resources within the industry and our brand recognition, we allow small and medium-sized real estate brokerage firms to carry out business under our “Fangyou” brand name, and to take advantage of our services and resources to provide more professional and efficient services to their individual customers, which eventually improves their overall competitiveness. As of 31 March 2018, we provided services to 5,211 Fangyou-branded stores in 32 cities across China.

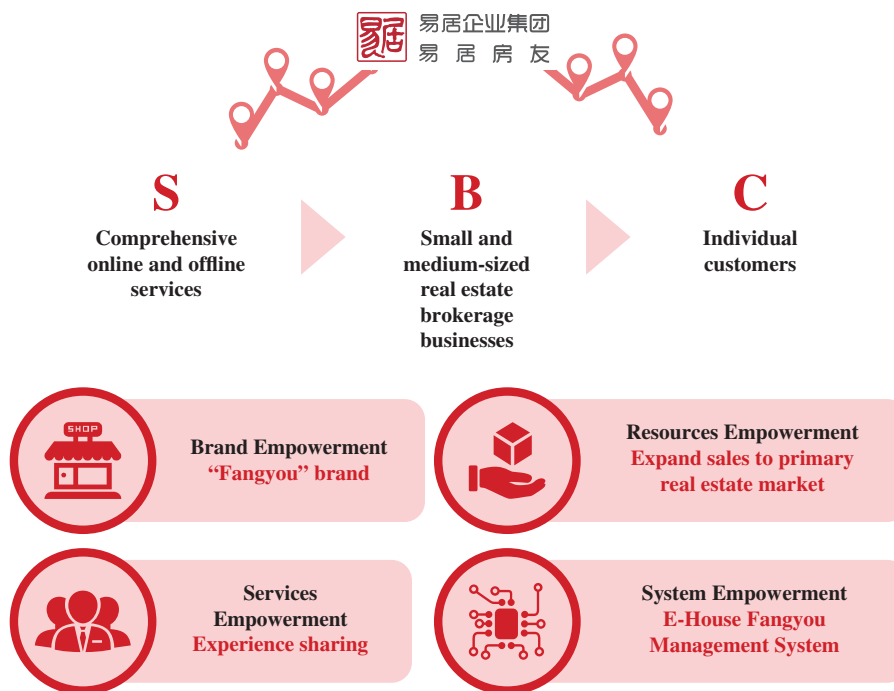
The following diagram illustrates how our Fangyou real estate brokerage network connect our business partners, real estate brokerage firms and their individual customers.



Note: Apartment rental service, real estate financing service and relocation and home decoration services are resources we plan to offer Fangyou-branded stores in the future.

Our services to real estate brokerage firms

We have adopted the “S2B2C” business model to attract real estate brokerage stores to become Fangyou-branded stores. That is, we provide comprehensive online and offline services (“S”) to small and medium-sized real estate brokerage businesses (“B”) to help them better serve their individual customers (“C”). Under this business model, we do not open our own real estate brokerage stores, nor do we directly carry out our own real estate brokerage business in the secondary market. In essence, we operate a service-based empowerment network that helps small and medium-sized real estate brokerage firms achieve success in the secondary real estate market and generate additional revenue from the primary real estate market.



Our cooperation agreements with Fangyou-branded stores generally have terms ranging from two to three years. Under these agreements, we authorise the brokerage firms to use the “Fangyou” brand, and we provide software, training and other related services. We do not charge the brokerage firms for these services, but we generally require them to pay a security deposit. We are entitled to deduct part or all of the security deposit in case of certain breaches by the brokerage firms, such as not using the “Fangyou” brand or using other brands to conduct their business, failure to redecorate stores with “Fangyou” signage, legal non-compliance or damaging the reputation of the “Fangyou” brand. We do not act as an agent or intermediary in any real estate transaction in the secondary market, and we do not have any contractual relationship with customers of Fangyou-branded stores, other than as a provider of transaction services if such customers complete their transactions at an E-House Real Estate Transaction Service Centre, as further described below.

BUSINESS

We believe that our Fangyou network empowers small and medium-sized real estate brokerage firms mainly in the following respects:

- *Brand name.* We allow small and medium-sized real estate brokerage firms to use our “Fangyou” brand name to carry out their business. When a new store joins the “Fangyou” network, we decorate the store at our cost to ensure that the “Fangyou” logo is displayed properly and the store has an appearance that is consistent with other Fangyou-branded stores. We also encourage individual brokers to use the mobile apps we developed for real estate brokerage services in the secondary market and wear “Fangyou” uniforms to improve their professional image.
- *Services.* To help Fangyou-branded stores operate their business efficiently, we regularly share with them our experience in business operations and internal management. For example, we regularly hold information sharing sessions through which we share with them our interpretations on certain government policies and conduct case analysis.
- *Resources.* We make available various types of resources that are otherwise unavailable to our Fangyou-branded stores. A major resource is access to the primary real estate agency market. Leveraging our leading position and resources in the primary real estate agency market, we allow Fangyou-branded stores to expand their revenue source by selling real estate property units in the primary market. We also plan to offer our Fangyou-branded stores other resources, such as apartment rental, real estate financing, relocation and home decoration services provided by our business partners. Fangyou-branded stores can earn commissions by recommending these related services to the home buyers or sellers.
- *System.* Fangyou-branded stores also benefit from the E-House Fangyou Management System and related mobile apps we designed for Fangyou-branded stores. The E-House Fangyou Management System helps Fangyou-branded stores realize digitalized efficient management of various aspects of their business operations, such as property inventory management, financial management and human resources management. Related mobile apps help brokers manage their property inventory. They can upload pictures of the properties to the system on the go while taking customers to view the properties.

To enable Fangyou-branded stores to provide professional services to individual customers and facilitate real estate transactions in the secondary market, we have established E-House Real Estate Transaction Service Centres. We station professionally trained employees in these centres to help individual customers properly transfer property titles and complete transactions. These services allow Fangyou-branded stores to more effectively compete with self-owned and franchised stores in major brokerage chains, which generally enjoy infrastructural and service support from their parent companies or franchisors. When a real estate transaction in the secondary market is completed at an E-House Real Estate Transaction

BUSINESS

Service Centres, we may charge service fees to the relevant brokerage firm or the individual customer. Such transaction service fees amounted to RMB3.1 million, RMB9.4 million and RMB3.0 million in 2016, 2017 and the three months ended 31 March 2018, respectively. Although transaction service fees represented only a small proportion of our revenue during the Track Record Period, we believe that E-House Real Estate Transaction Service Centres play an important role in the expansion of our Fangyou network, as they further enhance the brand image and reputation of Fangyou-branded stores and inspire trust among their individual customers. E-House Real Estate Transaction Service Centres serve as hubs where we provide real estate brokerage firms with comprehensive empowerment services. For example, we organise information sharing sessions to enhance the knowledge and expertise of brokerage firm employees at E-House Real Estate Transaction Service Centres. With the standardised, high quality services provided by these centres, we aim to attract more real estate brokerage firms to become Fangyou-branded stores and to increase the satisfaction and loyalty of existing Fangyou-branded stores. As of 31 March 2018, we had established 50 service centres in 27 cities.

Our services to business partners

We believe a large and active network of Fangyou-branded stores is an effective marketing channel that helps various vendors and service providers in the real estate and other related industries promote their products and services to individual customers. We charge commissions or other forms of service fees to our business partners for the marketing services provided by our Fangyou brokerage network.

Currently, we mainly generate revenue from our real estate brokerage network services by sourcing off-site buyers of new properties for our developer customers through real estate brokerage firms. These real estate brokerage firms include Fangyou-branded stores as well as other brokerage firms. Unlike Fangyou-branded stores, which benefit from our comprehensive empowerment services described above, the other brokerage firms cooperate with us only in the area of sourcing property buyers for the primary real estate market. In this area, the terms of our cooperation with Fangyou-branded stores and other real estate brokerage firms are largely the same. They earn commissions by sourcing potential off-site buyers and bringing them to the sales offices of our developer customers upon completion of a successful sale. These brokerage firms form a strong nationwide network and broaden our channels for selling property units in the primary real estate market.

Our Fangyou network operates its real estate sales in the primary market independently from our real estate agency division, and enters into its own agreements with real estate developers, charging separate commissions. Our agreements with real estate developers with respect to sales of real estate units in the primary market through our Fangyou brokerage network are entered into on a project-by-project basis and typically have short service terms of a few months. For our property buyer sourcing services provided to our developer customers through the Fangyou network, we usually receive commissions either at a fixed percentage or a progressive percentage based on our sales performance or at a fixed amount for each successful sale. Where commissions are based on a percentage of property value, the average

BUSINESS

commission rates are generally higher than the average commission rates for our real estate agency services in the primary market. Upon completion of a successful sale, we charge a real estate developer commissions for bringing off-site real estate buyers to the developer's sales office. Typically, 80% of such commissions are then paid to the relevant brokerage firms that facilitated the sales.

The buyer sourcing services provided by our Fangyou network are different from, and do not compete with, real estate agency services in the primary market, and commissions for such services are in addition to any commissions charged by the relevant real estate agent in the primary market, if any. For any new real estate sales project, a developer customer may use our real estate agency services to formulate and execute marketing and sales strategies, promote the project to prospective buyers, and facilitate contract signing and other aspects of sales transactions at the developer's on-site sales office. As part of a developer customer's marketing efforts, the developer may simultaneously engage our Fangyou brokerage network and/or real estate brokerage firms outside our Fangyou network to source potential buyers and bring them to the sales office. If a transaction facilitated by the Fangyou network is completed at the project site where our real estate agency services division is contracted to serve the developer for the same project, our real estate agency services division is generally entitled to separate commissions pursuant to the relevant agency agreement with the developer in addition to the commissions received by the Fangyou network.

The following table sets forth selected statistics related to new property units sold by our developer customers to buyers of new properties sourced by Fangyou-branded stores and other real estate brokerage firms for the periods indicated:

	For the Year Ended 31 December		For the three months ended 31 March
	2016	2017	2018
Number of new property units sold	1,064	2,093	527
Of which:			
By Fangyou-branded stores	612	1,194	290
By other real estate brokerage firms	452	899	237
Total GFA of new property units sold (thousands of square metres)	87.0	190.0	53.8
Average commission rate ⁽¹⁾	2.77%	2.24%	1.98%

Note:

(1) Excluding transactions where commissions are a fixed amount instead of a percentage of property value.

BUSINESS

In 2017 and the three months ended 31 March 2018, we cooperated with brokerage firms mainly in three cities, Hangzhou, Shanghai and Zhengzhou, to source buyers of new properties for our developer customers. The number of Fangyou-branded stores increased from 4,075 in 22 cities as of 31 December 2017 to 5,211 in 32 cities as of 31 March 2018, and further to 7,051 in 52 cities as of 31 May 2018. We intend to replicate our success in more cities, and grow the number of Fangyou-branded stores to 10,000 in these 52 cities by the end of 2018. In addition, we intend to cooperate with brokerage firms in all these 52 cities to source buyers of new properties for our developer customers. In cities where the Fangyou network has established operations, we expect to benefit from word-of-mouth referrals by current Fangyou-branded stores that are satisfied with our services. We also expect to grow with current Fangyou-branded stores when their owners open additional stores to expand their businesses. In addition, our employees in these cities will continue to develop relationships with other small and medium-sized brokerage firms. In new cities we plan to enter, we plan to first conduct comprehensive research on the local real estate brokerage market. Based on market data, we plan to send our employees to visit target brokerage stores to discuss potential cooperation with their owners. We also plan to utilise our relationships with real estate industry associations and key opinion leaders to organise promotional events and introduce Fangyou's S2B2C business model to local real estate brokerage firms.

In the future, we may also explore other revenue sources through our Fangyou network, such as by offering apartment rental, real estate financing, relocation and home decoration services provided by our business partners. As individual customers of Fangyou-branded brokerage stores often require ancillary services before, during or after they complete a real estate transaction, our target business partners are service providers in the real estate and related industries that are in need of an effective marketing channel to reach a large number of individual customers. For example, we plan to develop cooperation relationships with national and regional home decoration service providers in the geographic markets where we operate our Fangyou network. We believe our Fangyou network can help them promote their services to real estate buyers, many of whom need home decoration services.

For our customer sourcing and promotional services, we plan to charge our business partners service fees, either in a fixed amount or a percentage of the transaction value depending on the nature of the service provided by the business partner and the relevant industry practice. We expect that a portion of service fees we receive from our business partners will be paid to the relevant brokerage firms.

For each new service area we enter, we generally plan to pilot the business in one or a few geographic markets and evaluate the costs and benefits before expanding to all geographic markets where we operate our Fangyou network. For each service area, we plan to first conduct in-depth research on the relevant market, through which we aim to identify the major players and their customer acquisition needs. Afterwards, we plan to approach service providers with good operational records to explore opportunities for cooperation. We also plan to take advantage of our existing business relationships with real estate developers and other customers to establish connections with these potential business partners. As of the Latest Practicable Date, our Fangyou network had not yet established any significant cooperation with business partners other than real estate developers.

BUSINESS

Risk management

Although Fangyou-branded stores operate their businesses independently and do not serve individual customers on our behalf, their conduct may affect the reputation of the “Fangyou” brand and our business in general. See the section headed “Risk Factors – Risks Related to Our Business and Industry – If our employees or business partners engage in inappropriate or illegal conduct, our reputation could be harmed and we could be exposed to regulatory investigations, cost and liabilities.” As such, we have established certain standards and procedures for the selection of Fangyou-branded stores. We require each Fangyou-branded store to maintain its own valid business licence with a business scope covering real estate brokerage, sales, leasing and other related businesses permitted to be engaged in by real estate brokerage firms under applicable regulations. In addition, we conduct reviews on each Fangyou-branded store’s legal compliance and reputation in the local market. Our Directors confirm that during the Track Record Period, there was no inappropriate conduct of Fangyou-branded stores which led to a material and adverse effect on our business and results of operations.

In Wuhan, one of our subsidiaries providing real estate brokerage network services has entered into arrangements with several commercial banks in Wuhan to provide transitional guarantees for property buyers in the secondary real estate market. These transitional guarantees resulted in contingent liabilities of RMB85.3 million as of 31 December 2017 and RMB52.2 million as of 31 March 2018. Based on aforesaid and relevant laws and regulations, our PRC Legal Adviser is of the view that Wuhan Fangyou shall not be deemed as a company operating financing guarantee business and therefore is not required to obtain a financing guarantee business permit. See the sections headed “Financial Information – Contingent Liabilities” and “Risk Factors – Risks Related to Our Business and Industry – We provide guarantees for mortgage loans of property buyers in the secondary real estate market in Wuhan and may become liable to mortgagee banks if these buyers default on their mortgage payments.”

SALES AND MARKETING

We do not maintain a marketing team exclusively for marketing and advertising of our brand to enhance our brand recognition and attract developer customers or real estate buyers, primarily because we have established our brand recognition over the years of development and certain of our business activities have the natural effect of marketing and advertising of our brand. For example, we hold annual conferences to release certain industry rankings and research reports on various hot topics and sectors in the real estate industry. Although the primary purposes of this type of business activity are not marketing and advertising of our brand, it has an objective effect of brand promotion.

CUSTOMERS

Our customers are mainly real estate developers in China, from whom we have historically derived a significant majority of our revenue. Our customers also include banks, investors and government that use our real estate data and consulting services, as well as real estate brokerage firms and their customers that use our services provided at the E-House Real Estate Transaction Service Centres. See the subsection headed “Our Services” for details of terms of the agreements with our customers.

In 2015, 2016 and 2017 and the three months ended 31 March 2018, we generated revenue of RMB605.8 million, RMB1,074.2 million, RMB1,626.5 million and RMB314.5 million, respectively, from our single largest customer, Evergrande, representing 22.3%, 26.9%, 35.1% and 33.8% of our total revenue in the respective periods. During the same periods, we generated revenue of RMB860.4 million, RMB1,464.5 million, RMB2,045.2 million and RMB437.5 million, respectively, from our top five customers, representing 31.7%, 36.6%, 44.1% and 47.0% of our total revenue in the respective periods. All of our top five customers in 2015, 2016 and 2017 and the three months ended 31 March 2018 are real estate developers in China. On average they have over eight years of business relationship with us. As of the Latest Practicable Date, we had entered into strategic cooperation agreements with 46 leading real estate developers. For details of such agreements, see the subsection headed “– Our Services – Real Estate Agency Services in the Primary Market” above.

Some of our major customers are our Shareholders. Other than Evergrande and Vanke, which are our Shareholders each holding 15% of our Shares (prior to the Global Offering), none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest customers during the Track Record Period and up to the Latest Practicable Date.

SUPPLIERS

During the Track Record Period, our largest suppliers were labour dispatch agencies as some of our PRC subsidiaries historically used a significant number of dispatched employees for their principal business activities. See the section headed “Risk Factors – Risks Related to Our Business and Industry – Failure to fully comply with PRC labour-related laws may expose us to potential penalties”. All of our five largest suppliers in 2015 and 2016 and four of our five largest suppliers in 2017 and the three months ended 31 March 2018 were labour dispatch agencies. Our labour dispatch agreements with labour dispatch agencies generally have a term of one to three years or have an indefinite term but can be terminated with prior notice. We pay labour dispatch agencies on a per-person and monthly basis. In addition, we usually transfer salary and social welfare amounts to be paid to a dispatched employee on a monthly basis to the relevant labour dispatch agency, which in turn is responsible for the payment of salary and social welfare to the dispatched employee. We can terminate the dispatch of certain workers under certain circumstances, such as incompetency for the job or material dereliction of duty which causes significant damages to us.

BUSINESS

Apart from labour dispatch agencies, our suppliers also include, among others, office space providers, renovation service providers, advertising companies, as well as real estate brokerage firms that assist us in the selling of real estate units in the primary market.

In 2015, 2016 and 2017 and the three months ended 31 March 2018, the purchases we made from the single largest supplier was RMB438.1 million, RMB536.0 million, RMB354.0 million and RMB55.2 million, representing 18.9%, 17.4%, 10.0% and 8.3% of our total purchases in each corresponding period. During the same periods, the purchases we made from the five largest suppliers was RMB1,017.6 million, RMB1,182.5 million, RMB592.1 million and RMB121.2 million, representing 43.9%, 38.4%, 16.7% and 18.1% of our total purchases in each corresponding period. During the Track Record Period, none of our suppliers was also our major customer. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

RESEARCH AND DEVELOPMENT

As of 31 March 2018, we had a research and development team of 807 employees who conduct research, develop new products and upgrade existing products for all our business segments. In particular, our real estate data and consulting services segment accounted for 606 of the 807 employees. These 606 employees are primarily responsible for developing and maintaining our CRIC Systems. They are experienced in real estate, information technology and/or other related industries, and many of them hold bachelor's or higher degrees. Relying on our seasoned professional research and development team, we are able to develop in-house core technologies used in our products and develop products customised to the specific needs of our clients. As of 31 March 2018, we have obtained three patents granted by the State Intellectual Property Office of the PRC and registered 121 software copyrights in the PRC. Starting from 2008, Shanghai Zhuxiang Information Technology Co., Ltd., one of our subsidiaries, has been named consecutively as a "high and new technology enterprise". In 2015, 2016 and 2017 and the three months ended 31 March 2018, we spent RMB34.2 million, RMB35.8 million, RMB40.6 million and RMB12.7 million, respectively, on our research and development activities.

Our research and development team also supports the operations of our services. They are actively involved in project related studies both for internal use and for our clients. Our research staff also collect, compile and analyse market and project data to update and verify information on the CRIC Systems. They produce periodic and topical reports on a weekly, monthly and annual basis for distribution on our CRIC Systems. Our research team also developed the CRIC data marketing system and the CRIC investment decision-making system. These products not only directly serve our clients through our real estate data and consulting services, but also significantly improve the efficiency and effectiveness of our real estate agency services in the primary market.

BUSINESS

For our real estate brokerage network services, our research team has developed a comprehensive business management system suitable for real estate brokerage firms. This system supports brokerage firms' management of real estate transactions in the secondary market and sales in the primary real estate market. Apart from streamlining the management of property inventories and prospective customers with standardised procedures, it also realises the integration of the management of transactions, payments, commissions, and logistics.

COMPETITION

The real estate services industry in China is rapidly evolving, and is highly fragmented and competitive. Compared to real estate development, real estate services require a smaller commitment of capital resources. This relatively lower barrier to entry permits new competitors to enter our markets quickly and compete with us. Competition in the real estate services industry is primarily based on brand recognition, quality and breadth of services and overall client experience. While we face competition in each geographic market in which we operate, we believe none of our competitors offers as broad a range of services and geographic coverage as we provide in the real estate services market.

With respect to real estate agency services in the primary market, we compete with other major service providers with sales networks in multiple cities in China. In each geographic market where we have a presence, we also compete with local real estate agency service providers in the primary market. In the real estate data and consulting services market, we compete with both real estate information service providers and real estate consulting service providers in China. We offer our real estate brokerage network services with an innovative "S2B2C" business model, which we believe has not yet been successfully adopted by any major competitor in China. However, Fangyou-branded stores compete with established real estate brokerage firms in China. As the success of our business depends in part on the success of Fangyou-branded stores, we are impacted by the competition from these other real estate brokerage firms in China. Overall, we believe that none of our competitors is able to compete effectively with us in terms of the comprehensiveness and quality of services.

For more information on the competitive landscape of the industry and our market position, please see the section headed "Industry Overview" in this document.

AWARDS AND RECOGNITION

We have received numerous awards and recognitions since our establishment in recognition of the quality of the services we provide and the outstanding achievements of we have accomplished. The following table sets forth some of the significant awards and recognition we have received since 2015.

Year	Award/Recognition	Awarding Organisation	Awarded Entity
2017	Preferred Service Provider (Marketing and Agency Category) of Top 500 Real Estate Developers in China in 2017 (2017中國房地產開發企業500強首選服務商品品牌•營銷代理類)	China Real Estate Association (中國房地產業協會), E-House China R&D Institute (上海易居房地產研究院), China Real Estate Appraisal Centre (中國房地產測評中心)	PRC Holdco

BUSINESS

Year	Award/Recognition	Awarding Organisation	Awarded Entity
2017	Employer Excellence of China in 2017 (2017年中國典範僱主)	51job.com (前程無憂)	PRC Holdco
2017	“Golden Bridge Award” for Data and Information Services Enterprises in 2016 (2016年度數據和信息服務企業“金橋獎”)	Shanghai Real Estate Brokerage Industry Association (上海市房地產經紀行業協會)	PRC Holdco
2017	“Golden Bridge Award” for Marketing and Agency Enterprises in 2016 (2016年度營銷代理企業“金橋獎”)	Shanghai Real Estate Brokerage Industry Association (上海市房地產經紀行業協會)	E-House Xiangyue
2017	“Golden Bridge Award” for Marketing and Agency Enterprises in 2015 (2015年度營銷代理企業“金橋獎”)	Shanghai Real Estate Brokerage Industry Association (上海市房地產經紀行業協會)	PRC Holdco
2016	“Employer Excellence of China” in 2016 (2016年中國典範僱主)	51job.com (前程無憂)	PRC Holdco
2016	Member Enterprise of the Sixth Council of Shanghai Software Industry Association (上海市軟件行業協會第六屆理事會會員)	Shanghai Software Industry Association (上海市軟件行業協會)	Shanghai CRIC Information Technology Co., Ltd. (上海克而瑞信息技術有限公司)
2016	Member Enterprise of the Seventh Council of Shanghai Software Industry Association (上海市軟件行業協會第七屆理事會會員)	Shanghai Software Industry Association (上海市軟件行業協會)	Shanghai CRIC Information Technology Co., Ltd. (上海克而瑞信息技術有限公司)
2016	“Outstanding Exhibiting Enterprise” of Shanghai Group in the 20th China International Software Expo (第二十屆中國國際軟件博覽會上海展團“優秀參展企業”)	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會), Shanghai Software Industry Association (上海市軟件行業協會)	Shanghai CRIC Information Technology Co., Ltd. (上海克而瑞信息技術有限公司)
2016	“CRIC Data Marketing” Product was awarded Excellent Exhibition Product in the 20th China International Software Expo (第二十屆中國國際軟件博覽會上展出產品“CRIC數據營銷”榮獲優秀參展產品)	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會), Shanghai Software Industry Association (上海市軟件行業協會)	Shanghai CRIC Information Technology Co., Ltd. (上海克而瑞信息技術有限公司)
2015	One of 100 Outstanding Enterprises in the Conversion of High and New Technologies in 2014 in Shanghai (2014年度上海市高新技術成果轉化項目百佳)	Shanghai Technology Innovation Centre (上海市科技創業中心), Shanghai Service Centre of High and New Technologies Conversion (上海市高新技術成果轉化服務中心), Shanghai Torch High-tech Industry Development Centre (上海市火炬高科技產業開發中心)	Shanghai CRIC Information Technology Co., Ltd. (上海克而瑞信息技術有限公司)

BUSINESS

EMPLOYEES

As of 31 March 2018, we had 20,004 full-time employees, all of whom were based in China. Our employees are based in our headquarters in Shanghai and various other cities in China according to our business strategies. The following table sets forth the number of our employees by function as of 31 March 2018:

Function	Number of Employees	% of Total
Sales and marketing.	17,773	88.9
Research and development.	807	4.0
Management, general and administrative	1,416	7.1
Total	20,004	100.0

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our retention strategy, we offer employees performance-based cash bonuses and other incentives in addition to base salaries.

We primarily recruit our employees through job fairs and other recruitment activities in universities, job search websites and referrals by current employees. We have established internal policies and procedures for the recruitment, training and evaluation of our employees. We place special emphasis on the training of our employees, whom we consider to be our most valuable assets. All newly hired employees must undergo intensive training during their probation. We also invite outside experts, including experts from the E-House Research and Training Institute, to provide ongoing training to our employees. We have put in place internal policies on allocating training resources, implementing training plans, and collecting feedbacks. We conduct annual performance evaluations for all employees and use both performance-based bonuses and job promotions as incentives to encourage good performance. We primarily rely on internal training provided by our in-house training professionals and senior employees. In addition, in relation to employee training programmes provided by external parties, we incurred expenses of RMB2.0 million, RMB5.2 million, RMB5.5 million and RMB0.8 million in 2015, 2016 and 2017 and the three months ended 31 March 2018, respectively.

We have established a labour union and our employees may join the labour union voluntarily. We believe that we maintain a good working relationship with our employees. To promote a healthy and vibrant working environment, we periodically organize recreational activities, such as basketball competitions and photography exhibition. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant labour disputes or any difficulty in recruiting staff for our operations.

BUSINESS

For our real estate agency services in the primary market, we rely on our sales and marketing employees to promote and facilitate the sales of property units. We cannot fully control the interactions our employees have with prospective property buyers and other relevant parties. While we have adopted internal policies and have entered into relevant contracts to regulate the behaviour of our employees, if our employees nevertheless engage in inappropriate or illegal conduct, our reputation could be harmed. Furthermore, we could be held liable for actions taken by our employees, which could expose us to regulatory investigations and penalties. See the section headed “Risk Factors – Risks Related to Our Business and Industry – If our employees or business partners engage in inappropriate or illegal conduct, our reputation could be harmed and we could be exposed to regulatory investigations, cost and liabilities.” Our Directors confirm that during the Track Record Period, there was no improper conduct of our employees which led to regulatory investigations and penalties that had a material and adverse effect on our business and results of operations.

Dispatched Workers

As of 31 March 2018, our 20,004 employees included a total of 1,602 dispatched workers used by our PRC subsidiaries or branches, representing 8.0% of the our total workforce. Under the Interim Provisions on Labour Dispatch that became effective on 1 March 2014, the number of dispatched workers an employer uses may not exceed 10% of its total labour force and the employer has a two-year transition period to comply with such requirement. As of 31 March 2018, 11 of our PRC subsidiaries or branches had not complied with the requirement on the maximum number of dispatched employees. As of 15 June 2018, all of these 11 PRC subsidiaries or branches have completed the relevant remedial measures and become compliant with the labour dispatch requirement.

Social Welfare

As required by the PRC laws and regulations, we participate in the employee social welfare plan administered by local governments. Such plan consists of housing provident fund, pension, medical insurance, social insurance, maternity insurance and unemployment insurance. According to relevant PRC laws and regulations, the amount we are required to contribute for each of our employees under such plan should be calculated based on the employee’s actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities.

Housing provident fund registration

Under applicable PRC law, a company is required to register with the relevant local housing provident fund administrative agency within 30 days from its establishment. As of the Latest Practicable Date, 106 of our PRC subsidiaries or branches, including three in the process of being deregistered, had not registered with local housing provident fund administrative agencies because they do not have any employees. According to our PRC Legal Adviser, based on enquiries made with relevant local housing provident fund administrative agencies, other than the three subsidiaries or branches in the process of being deregistered:

- local housing provident fund administrative agencies that have competent authority over 78 of these subsidiaries or branches do not accept registration applications from companies with no employees; and
- local housing provident fund administrative agencies that have competent authority over the remaining 25 subsidiaries or branches accept registration applications from companies with no employees but such companies can delay registration until they start to have employees without being subject to any fines.

If any of the abovementioned 103 subsidiaries or branches intends to have employees in the future, we will require it to register with the relevant local housing provident fund administrative agency as soon as practicable.

As advised by our PRC Legal Adviser, a company that fails to register with the local housing provident fund administrative agency may be ordered by the relevant agency to rectify such non-compliance within a prescribed period. If rectification is not completed within the prescribed period, the company may be subject to a fine ranging from RMB10,000 to RMB50,000. As of the Latest Practicable Date, none of our subsidiaries or branches had been ordered to rectify its non-compliance with the requirement to register with the relevant local housing provident fund administrative agencies.

The Directors are of the view that our non-compliance with the requirement to register with the local housing provident fund administrative agency has not had and will not have a material adverse impact on our business or results of operations for the following reasons: (i) as of the Latest Practicable Date, none of our subsidiaries or branches had been ordered to rectify its non-compliance with the requirement to register with the local housing provident fund administrative agency, (ii) our PRC Legal Adviser is of the view that the likelihood that we will be penalised by the relevant authorities for non-compliance with the requirement to register with the local housing provident fund administrative agency is relatively low based on enquiries made with relevant local housing provident fund administrative agencies, and (iii) even if the abovementioned 25 entities were ordered to register with the relevant local housing provident fund administrative agencies and could not do so within the prescribed time, the maximum penalty would be RMB1.25 million.

Housing provident fund contributions

Under applicable PRC law, a company is required to make housing provident fund contributions for its employees. During the Track Record Period, six of our subsidiaries or branches did not make housing provident fund contributions for employees who had been employed by them for less than one year or six months, as the case may be. As of 15 May 2018, all of the six entities had been making housing provident fund contributions for all of their employees.

Internal Controls for Employment Compliance

We have adopted internal policies to ensure compliance with various employment-related laws and regulations applicable to us. With respect to each of our PRC subsidiaries, we require our human resources department to calculate the ratio of the number of dispatched workers to the total number of workers on a monthly basis to ensure compliance with the relevant labour dispatch requirement in China. In addition, if any subsidiary or branch that currently does not have any employees starts to have employees in the future, or if we establish any new subsidiary or branch with employees in the future, we require them to register with the relevant social insurance and housing provident fund agencies within 30 days from the date it starts to have employees. Our legal department is responsible for supervising the establishment of new subsidiaries or branches as well as their compliance with licensing, registration and other applicable legal requirements.

INSURANCE

We maintain certain third-party liability insurance. We also make social insurance contributions for our employees and purchase supplemental health insurance for our mid-level management. In line with general industry practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. For the risks related to our insurance coverage, please see the section headed “Risk Factors – Risks Related to Our Business and Industry – Our insurance coverage may not be sufficient.”

PROPERTIES**Owned Properties**

We own certain properties primarily because some of our real estate developer clients transfer certain properties they developed to meet a portion of their payment obligation under the marketing and sales agreements for our services. We own 40 properties in nine cities in China.

Leased Properties

As of the Latest Practicable Date, we had leased 165 properties primarily as our office space for our business operations in China, including six properties that were used for our headquarters in Shanghai.

For 39 of our leased properties, the landlords have not provided us with copies of building ownership certificates after our request for such certificates, and therefore we are unable to ascertain whether they are owners of these properties. For 32 of our leased properties, the landlords have not leased such properties in accordance with the intended use specified on the land use right certificate. As advised by our PRC Legal Adviser, the above issues with these leases may affect our continuing use of these properties.

For three of our leased properties, the relevant lease agreements have expired and have not been renewed. We are in the process of renewing these expired agreements.

We use the above-mentioned leased properties as office space. We believe that even if we have to move to other properties due to the landlords' potential title defects or improper use or our failure to renew the lease agreements, the relocation costs would be low given that we primarily use these leased properties as office space and there are many other available properties in places where we operate our business. Therefore, we believe there are no material adverse impacts on our business operations.

In addition, the lease agreements with respect to 127 properties we leased for our business operations have not been registered with the relevant PRC government authorities. As advised by our PRC Legal Adviser, failure to register such lease agreements with relevant PRC government authorities does not affect the effectiveness of those lease agreements, but the relevant PRC government authorities may order us to, within a prescribed time limit, register the lease agreements. Failure to do so may subject us to a fine ranging from RMB1,000 to RMB10,000 for each lease agreement. As of the Latest Practicable Date, we had not been ordered by any government authorities to register any lease agreements. If we were ordered to do so in the future, our PRC Legal Adviser is of the view that the relevant PRC government authorities will not impose penalties on us if we complete the registration procedure within the prescribed time limit.

As at 31 March 2018, (i) each of our property interests for non-property activities (as defined under Rule 5.01(2) of the Listing Rules) had a carrying amount less than 15% of our consolidated total assets, and (ii) each of our property interests for property activities (as defined under Rule 5.01(2) of the Listing Rules) had a carrying amount below 1% of our consolidated assets, and the total carrying amount of our property interests for property activities also did not exceed 10% of our consolidated assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L), this document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group's interests in land or buildings.

BUSINESS

INTELLECTUAL PROPERTY

The “E-House” series of brands, our proprietary CRIC Systems and other intellectual property rights contribute to our competitive advantage in the real estate services industry in China. To protect our brands, our CRIC Systems and other intellectual property, we rely on a combination of trademarks, trade secret and copyright laws in China as well as imposing procedural and contractual confidentiality and invention assignment obligations on our employees, contractors and others. Certain of our software copyrights relate to our CRIC Systems.

As of the Latest Practicable Date, we had (i) four registered patents, (ii) 118 software copyrights, (iii) 247 registered trademarks in the PRC and three trademark registration applications in Hong Kong, and (iv) 52 registered domain names. For more information, please see the section headed “Further information about our business – Intellectual property rights” in Appendix IV.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims that had any material impact on our Group. For the risks that we may face in this respect, please see the section headed “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to infringement claims or other claims involving intellectual property, which may be expensive to defend and may disrupt our business and operations.”

LICENCES AND PERMITS

The following table summarises the licences and permits that are material to our business operations.

<u>Licence/Permit</u>	<u>Holder</u>	<u>Granting Authority</u>	<u>Grant Date</u>	<u>Expiry Date</u>
Filing Certificate for Shanghai Real Estate Brokerage Entity	E-House Xiangyue	Shanghai Housing and Urban-Rural Construction Committee	19 May 2017	No expiration date
Filing Certificate for Hangzhou Real Estate Brokerage Entity	Hangzhou E-House Yongchuang Real Estate Brokerage Co., Ltd.	Hangzhou Housing Security and Real Estate Administration Bureau	3 July 2017	3 July 2019
Integrated into business licence	Shanxi E-House Jinyue Real Estate Brokerage Co., Ltd.	Taiyuan Real Estate Administration Bureau	1 June 2018	No expiration date but subject to annual inspection (2018 annual inspection passed)
Filing Certificate for Shanghai Real Estate Brokerage Entity	Shanghai Dacheng Real Estate Brokerage Co., Ltd.	Shanghai Putuo District Housing Security and Real Estate Administration Bureau	20 January 2017	No expiration date

BUSINESS

Licence/Permit	Holder	Granting Authority	Grant Date	Expiry Date
Filing Certificate for Xi'an Real Estate Brokerage Entity	Shaanxi E-House Real Estate Investment Consultancy Co., Ltd.	Xi'an Housing Security and Real Estate Administration Bureau	16 December 2015	No expiration date
Filing Registration Form for Chengmai County Real Estate Brokerage Entity	Hainan E-House Tourism Real Estate Brokerage Co., Ltd.	Chengmai County Housing Security and Real Estate Administration Bureau	18 December 2017	18 December 2018
Filing Certificate for Tianjin Real Estate Brokerage Entity	Tianjin E-House Jinyue Real Estate Brokerage Co., Ltd.	Tianjin Nankai District Real Estate Administration Bureau	15 June 2016	No expiration date
Filing Certificate for Real Estate Brokerage Entity	Henan E-House Real Estate Consultancy Co., Ltd.	Zhengzhou Housing Security and Real Estate Administration Bureau	13 February 2017	31 March 2019
Filing Certificate for Hefei Real Estate Brokerage Entity	Anhui E-House Jinyue Real Estate Sales and Marketing Co., Ltd.	Hefei Real Estate Administration Bureau	22 September 2017	21 September 2019
Filing Certificate for Nanjing Real Estate Brokerage Entity	Nanjing Jinyue Real Estate Sales Co., Ltd.	Nanjing Real Estate Administration Bureau	18 November 2015	18 November 2019
(Temporary) Filing Certificate for Jinan Real Estate Brokerage Entity	Jinan Jinyue Real Estate Brokerage Co., Ltd.	Jinan Housing Security and Real Estate Administration Bureau	20 December 2017	19 December 2018
Filing Certificate for Wuhan Real Estate Brokerage Entity	Wuhan E-House Investment Co., Ltd.	Wuhan Jiangnan District Housing Security and Real Estate Administration Bureau	13 March 2017	13 March 2019
Filing certificates for real estate brokerage entity with varying names	123 other subsidiaries and branches operating real estate brokerage business in China	Relevant local real estate administrative authorities	Various	Some with no expiration date, and others ranging from 26 July 2018 to 31 December 2021

BUSINESS

As of the Latest Practicable Date, three of our subsidiaries or branches engaging in real estate brokerage business had not obtained a filing certificates for real estate brokerage entity due to circumstances outside of our control. Specifically, the local real estate administrative authorities for one of these subsidiaries or branches, for the time being, were unable to accept any filing applications despite our attempted applications as the local filing procedures have not yet been formulated. For the other two subsidiaries or branches, our filing applications were being processed as of the Latest Practicable Date after the recent re-opening of the local filing systems. The revenue we generate from these three subsidiaries only accounts for a small fraction of our total revenue during the Track Record Period. According to our PRC Legal Adviser, based on its interviews with these local real estate administrative authorities, the three subsidiaries or branches are allowed by the relevant authorities to conduct real estate brokerage business without filing and without being subject to any administrative penalty. Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licences, permits, approvals and certificates necessary to conduct our business operations from the relevant government authorities in the PRC, and such licences, permits, approvals and certificates remained in full effect. For the licenses or permits that are going to expire, we are in the process of renewing such licenses or permits.

HEALTH, SAFETY AND ENVIRONMENT MATTERS

We are a service provider and we rely on our employees to provide services to our clients. We do not operate any production facilities or otherwise impose any material threats to the environment. Therefore, we are not subject to significant health, safety or environmental risks. To ensure compliance with relevant laws and regulations, we would seek legal advice as appropriate and consider making adjustments to our internal policies from time to time. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

DATA PROTECTION

In the ordinary course of providing our real estate agency services in the primary market and real estate brokerage network services, we collect certain personal information voluntarily provided by prospective and actual property buyers. This information will be used mainly for two purposes: (i) sending updates to property buyers throughout the property purchasing transaction; and (ii) compiling sales summary table for developers' confirmation of successful sale of each property units. The information collected are stored in our internal sales management system, the access to which is strictly based on the scope of authority to limit unnecessary accesses to such property buyer information. Each of our relevant staff who is necessary to access such information has a user name and passcode to access the internal sales management system. All property buyer information is centrally managed by our IT department and stored in our cloud-based data centre. Our internal sales management system and our CRIC Systems are separate systems under independent management. We do not collect or store personal information of individuals (e.g. identity card numbers) in our CRIC Systems, nor do we use our internal property buyer databases to facilitate the provision of real estate data and consulting services.

A small number of customers of our CRIC Systems are located outside of the PRC, primarily including Hong Kong-based financial institutions and professionals conducting research on the PRC real estate industry. In addition, a very small number of property buyers

BUSINESS

from whom we collect personal information for our internal property buyer databases are non-PRC citizens. As such, we may be subject to relevant overseas laws for the protection of personal information. However, given that (i) our overseas customers can only access our CRIC Systems, which do not contain personal information, (ii) we collect certain personal information for our internal property buyer databases solely within the PRC and not outside the PRC and such personal information is not accessible by customers of our CRIC Systems, including overseas customers, (iii) among property buyers from whom we collect personal information for our internal property buyer databases, only a very small fraction are non-PRC citizens; (iv) during the Track Record Period and up to the Latest Practicable Date, we had not received any investigations, penalties or reprimands from any relevant overseas regulators in relation to our collection, storage and use of the personal information of non-PRC citizens, (v) all our data are stored on servers located within the PRC and not outside the PRC, (vi) we do not collect personal information from customers of our CRIC Systems, whether they are based within or outside the PRC, and (vii) we have adopted relevant internal policies and implemented measures in relation to the collection, use and storage of personal information as described in further detail below, which are generally applicable to all personal information, including information we collected from non-PRC citizens, the Directors are of the view that the risks related to potential violation of overseas laws for the protection of personal data and their potential impact on our business are insignificant and remote. Nevertheless, we will continue to monitor the development of relevant overseas laws for the protection of personal data and demographic changes in prospective and actual property buyers by conducting monthly review of our internal property buyer databases. If we notice that citizens of a particular foreign country are entered into our internal property buyer databases, we will further enhance our internal procedures in accordance to the relevant data protection laws of that country in a timely manner.

We have adopted internal policies and implemented measures in relation to the collection, use and storage of personal information to ensure that we comply with the requirements under applicable laws and regulations. We have adopted internal security measures to prevent, detect and deal with potential issues relating to data leakage, security breach and unauthorised access to our systems and the data stored therein. Specifically, we require all of our employees to keep confidential personal information. Upon joining us, each employee has to sign relevant undertakings and pass our internal training and tests. For any employees who need to access our internal sales management system, an application has to be made based on our internal procedures and unauthorized copy or transmission of such information is strictly prohibited. In the case of change of position or termination of employment, access authorization will be revoked. Data collection and data storage are managed by different internal teams. We review our data back-up systems from time to time in order to ensure that they are well-maintained and functional. We take internal discipline measures, such as termination of employment, to penalise violation of our internal data protection policies. In the case of serious violations, we may also resort to legal measures.

Our Internal Control Consultant conducted a review on the design and implementation of our internal policies relating to IT systems, procedures and controls, and no material findings have been identified.

BUSINESS

Based on (i) an interview with relevant persons responsible for the operation of real estate data and consulting services, and (ii) an inspection on relevant interfaces of our CRIC Systems, our PRC Legal Adviser is of the view that (a) in the course of offering real estate data and consulting services, we do not require our customers to provide their personal information, and store such personal information, and thus we do not engage in the use and disclosure of personal information, and (b) we complied with relevant personal information protection laws in all material respects during the Track Record Period and up to the Latest Practicable Date.

Our Directors are of the view that our internal control systems are adequate and effective in ensuring compliance with relevant personal information protection laws based on (i) the segregation between our internal sales management system and our commercially available CRIC Systems, (ii) our comprehensive measures for safeguarding personal information and preventing their abuse by our employees, (iii) lack of material findings by our Internal Control Consultant with respect to our internal policies relating to IT systems, procedures and controls, and (iv) the opinions of our PRC Legal Adviser described above.

Having considered (i) the Directors' view as stated above, (ii) the PRC Legal Adviser's view as stated above, and (iii) based upon the due diligence work conducted by the Joint Sponsors which includes (a) reviewing the relevant documents in relation to the Group's internal policies and measures on the collection, use and storage of personal information, (b) discussions with the management of the Group on the above internal policies and measures, (c) discussions with the Company's Internal Control Consultant on the relevant internal control systems and (d) reviewing the report of the Company's Internal Control Consultant, the Joint Sponsors concur with the Directors' view stated above that the Group's internal control systems are adequate and effective in ensuring compliance with relevant personal information protection laws.

LEGAL PROCEEDINGS AND COMPLIANCE

We are involved in legal or other disputes in the ordinary course of our business. Most of the legal proceedings are contract claims initiated by us to enforce our rights entitled under the contracts. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation and compliance. We have not incurred legal costs and expenses in connection with such proceedings that are significant in the context of our overall operating results.

We are primarily regulated by state and local housing administrative authorities. These regulatory authorities conduct inspections from time to time. Our Directors confirm that during the Track Record Period, there was no non-compliance incidents which led to regulatory actions and penalties that had a material and adverse effect on our business and results of operations. For the non-compliance incidents disclosed in “– Employees” and “– Properties” above, we have implemented corresponding remedial measures and certain precautionary measures to prevent the reoccurrence of those non-compliance incidents.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

Risk management is critical to the success of our business. We have put in place internal risk management policies for our business operations.

Key risks in our daily operations include changes in general market conditions and the regulatory environment of the PRC real estate market, available financing to support our growth, competition from other real estate services companies and our ability to manage our growth. See the section headed “Risk Factors” for a discussion of various risks and uncertainties we face. We also face various market risks. In particular, we are exposed to interest rate, foreign currency, credit and liquidity risks that arise in the normal course of our business. See the section headed “Financial Information – Qualitative and Quantitative Disclosure about Market Risks” for a discussion of these market risks.

In order to meet these challenges, we have established the following structures to manage our risks:

- Our Board is responsible for and has the general power to manage the operations of our Company, and is in charge of managing the overall risks of our Group. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand into new real estate service markets, adopt new business model, expand our Fangyou brokerage network into new geographical areas, and enter into strategic cooperation relationships with certain of our developer customers.
- Our business management department for each of our business lines is responsible to managing risks involved in the daily operations of our businesses. In addition, we also have supporting departments responsible for managing certain specific risks, such as legal compliance risks and information risks.
- We have also established an internal audit department, which is responsible for our internal audit and compliance. The internal audit department is independent from other departments and directly reports to our Board.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged an independent internal control consultant (the “**Internal Control Consultant**”) to conduct a review of our internal control system during the period from December 2016 to November 2017. The Internal Control Consultant has conducted review procedures on our internal control system based on the agreed scope, which includes revenue, purchase, fixed assets management, human resources, financial management and information technology. The Internal Control Consultant conducted on-site work in January 2018 and provided a number of findings and recommendations in its report. Material findings primarily include:

BUSINESS

- deficiencies in internal rules and procedures, such as the lack of internal rules and procedures relating to, among others, (i) interactions with government officials, (ii) anti-money laundering, and (iii) consistent and unified management of related-party information; and
- employment related deficiencies, such as violation of regulatory requirements on labour dispatch, housing provident fund registration and contribution.

The internal control findings identified by the Internal Control Consultant did not result in any material misstatement to our consolidated financial information prepared in accordance with IFRS during the Track Record Period as set out in Appendix I after certain appropriate adjustments were made to address those internal control deficiencies.

We have subsequently taken remedial actions in response to such findings and recommendations:

- we have formulated relevant internal rules and procedures based on our Internal Control Consultant's recommendations, such as Principles of Enterprise-Government Relations, Anti-Money Laundering Policies, E-House Related-Party Management Rules; and
- for actions we have taken with respect to employment related deficiencies, please see section headed "Business – Employee – Internal Controls for Employment Compliance".

The Internal Control Consultant performed follow-up procedures on our Company's system of internal control with regard to those actions taken by our Company and reported further commentary in April 2018. As of the Latest Practicable Date, we confirm that there were no material internal control findings outstanding.

We have established an internal control function on the group level responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and employees involved with continuing training programme and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identifying any concerns and issues relating to potential non-compliance. Our chief financial officer and a joint company secretary, Mr. Zhou Liang, is responsible for ensuring our overall on-going compliance.