You should read the following discussion and analysis with the audited consolidated financial information of our Group, including the notes thereto, included in the Accountants' Report in Appendix I to this document. The consolidated financial information of our Group have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States. For the purpose of this section, unless the context otherwise requires, references to 2015, 2016 and 2017 refer to our financial years ended 31 December of such years.

The following discussion and analysis may contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this document.

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.

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. 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. 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 a total GFA of 227.2 million square meters in 1,068 projects for our real estate agency services in the primary market.

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 property development projects, such as market research reports, positioning analysis and feasibility studies, which better positions us to gain agency contracts. In addition, we can help our developer customers expand their sales channels by sourcing buyers of new properties through 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.

BASIS OF PRESENTATION

Our Company was established as an exempted liability company in the Cayman Islands on 22 February 2010. Following the reorganisation of certain interests in our Company, as more fully explained in the "History, Reorganisation and Corporate Structure – Our Corporate Reorganisation," our Company became the holding company of the companies comprising our Group in March 2018. As these companies, our Company and the real estate agency services business of E-House Management and Beijing EJU Enterprise Management Consulting Co., Ltd. are under common control of E-House (China) Holdings before and after such reorganisation, our Group is regarded as a continuing entity. Our financial information for the Track Record Period has been prepared on the basis as if our Company had always been the holding company of our Group using the principal of merger accounting. Our consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Our relationships with real estate developers

Real estate developers in China are our most important customers. During the Track Record Period, we generated revenue primarily from the provision of real estate agency services in the primary market to our developer clients. Revenue 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. Revenue from real estate agency services in the primary market is determined by the total value of new properties sold and the average commission rate. The total value of new properties sold in turn is determined by the total GFA and the average selling price of new properties sold. Therefore, our business and results of operations are affected by our ability to maintain and grow the GFA we market and sell on behalf of real estate developers and our ability to realise the sales targets set by our developer customers. In addition, real estate developers are also major customers of our real estate data and consulting services. Our real estate brokerage network services currently also generate most of the revenue from commissions paid by real estate developers for sourcing buyers of new properties through Fangyou-branded stores and other real estate brokerages firms we cooperate with. We expect that revenue from real estate brokerage network services will grow quickly in the next few years and will continue to consist predominantly of commissions paid by real estate developers. As a result, our business growth will continue to rely on real estate developers as our major customers, and our ability to maintain our relationships with existing developer customers and acquire new developer customers has a significant impact on our business, results of operations and prospects.

Our relationships with certain top developers in China are particularly important to our business. Revenue from our five largest customers, all of which are top developers in China, accounts for 31.7%, 36.6%, 44.1% and 47.0% of our total revenue in 2015, 2016 and 2017 and the three months ended 31 March 2018, respectively. Some of our customers, such as Evergrande, Vanke and Country Garden, are also our Shareholders. As of the Latest Practicable Date, we had entered into strategic cooperation agreements with 46 leading real estate developers in China, with terms ranging from one year to six years. Strategic long-term relationships with top developers in China 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 a total GFA of 227.2 million square metres in 1,068 projects for our real estate agency services in the primary market. In addition, strategic relationships with developers also help us expand into new cities and regions. However, if for any reason our relationships with our developer customers deteriorate, our business and results of operations may be adversely affected.

The success of our innovative real estate brokerage service business model

In order to maintain our business growth, apart from strengthening our traditional real estate agency business in the primary market, we have also developed an innovative "S2B2C" business model to operate our real estate brokerage network services under our Fangyou brand. Under this new business model, we encourage small and medium-sized brokerage firms to join our Fangyou network to utilise our resources to realise their business growth. As of 31 March 2018, the number of our Fangyou-branded stores had reached 5,211 and covered 32 cities across China. We plan to further expand our network in the coming years. We currently do not charge any fees from brokerage firms for using our resources. Almost all of the revenue generated from our real estate brokerage network services is from the sales of real estate property units in the primary market through our Fangyou brokerage network. We cooperate with small and medium-sized brokerage firms to source buyers of new properties for our developer customers. For every real estate unit in the primary market sold to property buyer sourced by brokerage firms, we are entitled to retain a certain percentage of the commission real estate developers pay to the brokerage firms. This type of off-site sale generates a stable source of income for our real estate brokerage network services. We are also exploring other revenue sources such as by offering apartment rental, real estate financing, relocation and home decoration services provided by our business partners. As a result, our ability to successfully operate our real estate brokerage network services under this new business model will have a significant impact on our business and results of operations.

Our ability to continuously upgrade our existing products and develop new products for our real estate data and consulting services that are appealing to our clients

The operation of our real estate data and consulting services relies heavily on our ability to upgrade our existing products and develop new products that are appealing to our clients. Relying on the data technology, we have developed several proprietary real estate databases, systems and software for our real estate data and consulting services, which together with our analytical capability, enable us to provide insightful data-based consulting and information services to our clients. Our products provide our clients with valuable information for their business operations and enable them to make informed decisions. To make sure our real estate data and consulting services are continuously attractive to our clients, we need to be sensitive to the evolving customer demand and upgrade our products to meet their demand. We also need to keep abreast of the latest development of new technologies and develop new products to capture new opportunities for our business growth. If we fail to do so, our overall business operations and our results of operations may be adversely affected.

Our ability to manage our costs and expenses

As a service provider, we rely on qualified employees to provide services to our clients. As a result, our staff costs are the largest cost we incur in our business operations and our ability to manage our staff costs affect our results of operations. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our staff costs were RMB1,736.7 million, RMB2,401.9 million, RMB2,623.3 million and RMB503.4 million, respectively, representing approximately

63.9%, 60.1%, 56.6% and 54.1% of the total revenue in each corresponding period. Our staff costs consist primarily of salaries, bonuses, commissions and social welfare contributions paid to or on behalf of our employees. As part of our efforts to manage our staff costs and improve our profit margins while ensuring consistent service quality, we utilise various measures to control our staff costs. These measures include streamlining and standardising our real estate agency services in the primary market, organising systematic and regular staff trainings and strengthening our data capability to reduce our reliance on labour. The application of these measures not only improves our service efficiency, but also enables us to maintain a lower level of employee turnover rate.

Our other major operational costs and expenses include, among others, advertising and promotion expenses, consultancy expenses, loss allowance on financial assets measured at amortised cost, and operating lease charges in respect of office premises. As our business continues to expand, the increase in these operational costs and expenses is likely to be partially offset by our increasing economies of scale and improving operational efficiency.

General market conditions and regulatory environment of the real estate industry in China

As a real estate services provider, our business is closely related to the real estate industry in China. For example, we provide real estate agency services in the primary market to developer clients for their newly developed properties. Revenue from such services 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. Our provision of such services is partially affected by the total number of newly developed properties, which is heavily dependent on the market conditions of the real estate industry in China. The general market conditions are affected by a number of factors such as the general economic conditions in China, government policies and regulatory measures, market demand and supply, and real estate price fluctuations. Any economic downturns, negative movements in the market demand and supply, or real estate price fluctuations may have significant impact on our business, results of operations, and financial position. At the same time, as we mainly serve China's Top 100 Real Estate Developers, we benefit from the continued consolidation of the real estate development market. According to the Cushman & Wakefield Report, the market share of the Top 100 Real Estate Developers in China, as measured by sales, increased from approximately 39.1% in 2015 to 56.8% in 2017, and their market share is expected to continue to grow and reach 62.8% to 65.8% by 2020 if there is no significant change in economic environment and government policy. In light of the trend of industry consolidation and our stable relationships with China's top real estate developers, we believe that we are less affected by the fluctuations of the overall real estate market.

In addition, the real estate industry in China is heavily regulated. Chinese government has a variety of tools in the regulation of real estate industry, such as through regulating land grants/supplies, pre-sale of properties, bank financing, and taxation, as well as numbers of more detailed measures directly regulating the operations of industry players. In addition, Chinese government has also been tightening the regulation of the industry by imposing more restrictive measures on purchasing residential properties, such as lifting the thresholds and costs for obtaining mortgage financing. As a result, government policies have significant influences on the general market conditions of the real estate industry. Any issuance of new restrictive regulatory measures or tightening of the existing ones may have significant and negative impact on the general market conditions of the real estate industry, which in turn may adversely affect our business, results of operations, and financial position. See "Risk Factors – Risks Related to Our Business and Industry – Our business may be materially and adversely affected by government measures aimed at China's real estate industry."

Application of IFRSs

IFRS 9 and IFRS 15 are both effective for the annual periods beginning on or after 1 January 2018, with early adoption permitted.

The Group had elected to consistently apply IFRS 9 and IFRS 15 throughout the Track Record Period. In order to provide additional information to the potential investors, the Group now further assessed the financial impact to the Group, based on the historical data, had IAS 18 and IAS 39 been consistently applied throughout the Track Record Period, there was no significant change in the financial position and performance of the Group. The adoption of IFRS 15 and IFRS 9 as compared to IAS 18 and IAS 39 had resulted in more disclosures in the historical financial information of the Group throughout the Track Record Period.

New and revised to IFRSs issued but not yet effective

We have not early applied the following new and amendments to IFRSs that have been issued but are not yet effective.

Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28.	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRSs.	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[2]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[2]

Notes:

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after I January 2019.

3 Effective for annual periods beginning on or after I January 2021.

IFRS 16 Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "*Leases*" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, we currently presents operating lease payments as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principle and an interest portion which will be presented as financing cash flows, respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 March 2018, we have non-cancellable operating lease commitments of RMB153,479,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence upon application of IFRS 16, we will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, we currently considers refundable rental deposits paid of RMB18,064,000 as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The management of the Group assessed that, if IFRS 16 had been initially adopted on 31 March 2018, such changes would increase the consolidated asset and consolidated liabilities of the Group, but would not result in a significant change to the consolidated net asset value of the Group as at 31 March 2018.

Except as described above, we anticipate that the application of other new and revised IFRSs will have no material impact on our financial position and financial performance in the foreseeable future.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including industry practises and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our material assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve significant estimates, assumptions and judgements in the preparation of our consolidated financial statements. For more comprehensive and detailed information on our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, please see notes headed "Notes 3 and 4 to the Accountants' Report in Appendix I" to this document.

Basis of Consolidation

Our historical financial information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

We reassess whether or not we control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Changes in Our Ownership Interests in Existing Subsidiaries

Changes in our ownership interests in existing subsidiaries that do not result in our losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of our relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any differences between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Merger Accounting for Business Combination Involving Entities under Common Control

Our historical financial information incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of or groups of our cash-generating units that is/are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

Revenue Recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those services. We recognise revenue when (or as) a performance obligation is satisfied, that is, when "control" of the services underlying the particular performance obligation is transferred to customers.

Revenue from real estate agency services in the primary market is recognised at a point in time when the service is rendered and (i) the property buyer has executed the sales and purchase agreement and made the required down-payment or (ii) the sales and purchase agreement has been registered with the relevant government authorities according to the terms and conditions stated in different agency contracts, since only by that time we have a present right to payment from the property developers for the services performed. If the commission rate is variable based on a pre-agreed sales target, before meeting the agreed sales target, we will recognise revenue based on a lower commission rate. When the sales target is met, we will recognise the incremental revenue, representing the variable consideration, at the higher commission rate on the performance obligations satisfied in previous periods. We generally invoice our developer customers shortly before they are prepared to make payments to us in accordance with our agreements. Due to the extended settlement cycles typical in the real estate industry, there could be a delay from revenue recognition to invoicing, typically for a few months. As a result, we have uninvoiced revenue at any specific time.

Revenue from real estate consultancy services is recognised at a point in time when the service is rendered and the customer has received and endorsed the consultancy report, since only by that time we have a present right to payment for the services performed. Revenue from real estate data services is recognised over the subscription period.

Revenue from real estate brokerage network services, primarily in connection with sales of new properties in cooperation with brokerage firms during the Track Record Period, is recognised at a point in time when the legal title of real estate property is transferred, since only by that time we have a present right to payment from the small to medium-sized real estate brokerage stores for the services performed.

Impairment on Tangible and Intangible Assets Other than Goodwill

At the end of each reporting period, we review the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

Provision for and Write-off of Trade Receivables

Based on our previous experience, receivables are generally not recoverable (i) when there is a breach of financial covenants by counterparty, or (ii) our internal information or information obtained from external sources indicates that the debtor is unlikely to pay its creditors, including us, in full (without taking into account any collaterals held by us). Therefore, we consider above events constitute default for internal credit risk management purposes.

With respect to credit-impaired financial assets, financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial assets occur(s). Evidence that financial assets are credit-impaired includes observable data in relation to the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter into bankruptcy proceedings or other financial reorganisation.

We write off financial assets when there is information indicating that counterparty is in severe financial difficulty and there is no realistic prospect of recovery. For example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Written-off of financial assets may still be subject to enforcement activities under our recovery procedures, after considering legal advices where appropriate. Any recoveries made are recognised in profit or loss.

We assess on a forward-looking basis the expected credit loss associated with trade receivables. For the measurement and recognition of the expected credit loss, please see "Note 3. Significant accounting policies – Financial instruments – Financial assets – Measurement and recognition of ECL" to the Accountants' Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table presents our consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	For the year ended 31 December			For the three-month period ended 31 March	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Revenue	2,716,446	3,996,129	4,633,360	854,794	930,202
Staff costs	(1,736,714)	(2,401,923)	(2,623,332)	(500,588)	(503,388)
Advertising and promotion expenses	(125,551)	(130,539)	(236,053)	(29,231)	(30,378)
Operating lease charges in respect of office premises	(86,837)	(94,133)	(105,571)	(25,248)	(26,613)
Depreciation and amortisation expenses	(27,258)	(24,190)	(27,870)	(9,308)	(6,291)
Loss allowance on financial assets measured at amortised cost	(63,441)	(103,959)	(119,866)	(10,673)	(12,143)
Consultancy expenses	(158,180)	(176,464)	(224,424)	(37,003)	(29,801)
Distribution expenses	–	(24,967)	(51,726)	(9,174)	(20,676)
Other operating costs	(215,794)	(253,812)	(284,539)	(53,741)	(52,735)
Other income	22,219	39,270	38,256	1,612	17,586
Other gains and losses	(4,432)	(2,519)	3,355	496	(21,726)
Other expenses	(4,877)	(3,801)	(8,831)	(4,126)	(1)
Listing expenses	–	–	–	–	(17,406)
Share of result of associates	92	(531)	148	158	(1,638)
Finance costs	(26,448)	(29,756)	(21,650)	(6,642)	(5,551)
Profit before taxation	289,225	788,805	971,257	171,326	219,441
Income tax expense	(112,071)	(216,636)	(205,951)	(36,228)	(67,066)
Profit and total comprehensive income for the year/period	177,154	572,169	765,306	135,098	152,375
Profit and total comprehensive income for the year/period attributable to:					
Owners of the Company	165,209	486,969	352,020	56,000	93,875
Non-controlling interests	11,945	85,200	413,286	79,098	58,500
	177,154	572,169	765,306	135,098	152,375
Non-IFRS Measures(1):					
Operating profit(2)	302,671	786,142	959,979	179,828	248,177
Adjusted profit and total comprehensive income attributable to owners of the Company(3)	165,209	551,684	702,045	112,011	126,523

Notes:

(1) The use of non-IFRS measures has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, profit and total comprehensive income for the year/period, profit and total comprehensive income for the year/period attributable to owners of the Company and other measures as reported in accordance with IFRS. For more details on these non-IFRS measures, including the rationales for the adjustments made, please see the subsection headed "Non-IFRS Measures" below.

(2) We define operating profit as revenue net of operating costs, which consist of staff costs, advertising and promotion expenses, operating lease charges in respect of office premises, depreciation and amortisation expenses, loss allowance on financial assets measured at amortised cost, consultancy expenses, distribution expenses, and other operating costs.

(3) We define adjusted profit and total comprehensive income attributable to owners of the Company as (i) profit and total comprehensive income for the year/period attributable to owners of the Company, adjusted to add back (ii) profit and total comprehensive income attributable to 21 investors of PRC Holdco. For more details on these non-IFRS measures, including the rationales for the adjustments made, please see the subsection headed "Non-IFRS Measures" below. The calculation of adjusted profit and total comprehensive income attributable to owners of the Company is not in accordance with IFRS.

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we derive all of our revenue from (i) real estate agency services in the primary market, (ii) real estate data and consulting services, and (iii) real estate brokerage network services. The following table sets forth a breakdown of our revenue by income source for the periods indicated:

	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 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

Revenue from real estate agency services in the primary market mainly consists of commissions we receive from real estate developers for our marketing and sales services. Real estate agency services in the primary market historically have been our predominant revenue source, and are expected to remain as such for the foreseeable future. Revenue from real estate agency services in the primary market is determined by the total value of new properties sold and the average commission rate. The total value of new properties sold in turn is determined by the total GFA and the average selling price of new properties sold. The following table sets forth the total GFA and total value of new properties sold as well as our average commission rate during the Track Record Period:

	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%

Note:

(1) *Average commission rate equals revenue derived from real estate agency services in the primary market divided by total value of new properties sold.*

Revenue from real estate agency services in the primary market increased during the Track Record Period primarily due to an increase in the total value of new properties sold. Our commission rates are generally determined by the prevailing rates in the relevant local markets, which are typically affected by competitive pressure and the level of difficulty in selling properties. During the Track Record Period, our average commission rate remained stable, in line with the average commission rate for the overall primary real estate agency industry in China.

Real estate data and consulting services

Revenue from real estate data and consulting services mainly consists of data subscription fees for our data services, marketing and brand promotion fees in connection with our rating and ranking services and consulting fees for our tailored consulting services we receive from our customers. The increase in our revenue from real estate data and consulting services during the Track Record Period was primarily due to the growth of our rating and ranking services. The revenue growth from 2016 to 2017 was also due to the launch of our transaction advisory services. Data subscription fees are determined based on the number of subscription accounts and scope of subscriptions, such as number of modules and number of cities covered. Subscription fees usually are charged upfront on annual basis. Marketing and brand promotion fees are determined on a project-by-project basis depending on the scope of rating and research data needed for marketing and brand promotion activities, whether we need plan and execute marketing activities and costs incurred in marketing and promotion activities. Consulting fees are determined based on a project-by-project basis depending on complexity of each project, human resources and time we spend in each project, as well as expenses we incur in each project. Both marketing and brand promotion fees and consulting fees are usually are paid by our clients on instalments.

Real estate brokerage network services

Revenue from real estate brokerage network services mainly consists of commissions we receive from real estate developers for sourcing buyers of new properties through Fangyou-branded stores and other real estate brokerage firms we cooperate with. The commissions we receive is determined by the total value of new properties sold for real estate developers and the average commission rate, which is typically higher than the commission rate of our real estate agency services in the primary market. In typical cases, 80% of such commissions are then paid to the brokerages that facilitated the sales, which are recorded as distribution expenses. We launched our real estate brokerage network services in January 2016. A small portion of revenue from real estate brokerage network services is generated from the service fees we charge to brokerage firms or their individual customers for completing real estate transactions at our E-House Real Estate Transaction Service Centres.

Staff Costs

Our staff costs primarily include salaries, bonuses, commissions and social welfare contributions paid to or on behalf of our employees. Since we are a service provider relying on qualified employees to provide services to our clients, staff costs generally account for the largest portion of our overall costs and expenses. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our staff costs were RMB1,736.7 million, RMB2,401.9 million, RMB2,623.3 million and RMB503.4 million, respectively, representing approximately 63.9%, 60.1%, 56.6% and 54.1% of our revenue in the respective periods. Staff costs as a percentage of revenue decreased during the Track Record Period primarily due to improved operational efficiency and increasing economies of scale.

Advertising and Promotion Expenses

Although most of our developer customers run their own marketing campaigns for their real estate projects, a small proportion of developer customers engage us to conduct certain advertising and promotional activities on a project-by-project basis. Our advertising and promotion expenses mainly represent costs incurred by such activities we conduct for those developer customers. Depending on our arrangements with specific developer customers, in some cases such expenses are reimbursable by the developer customers, while in other cases such expenses are already accounted for by the commissions we charge to the developer customers and are not reimbursed separately. We also incur advertising and promotion expenses for our real estate data and consulting services and real estate brokerage services. Our advertising activities mainly include telephone marketing, leaflet distribution, promotional events and billboard promotion. Our advertising and promotion expenses generally do not highly correlate with our overall revenue as they are not routine expenses for all the real estate projects in the primary market we worked on. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our advertising and promotion expenses were RMB125.6 million, RMB130.5 million, RMB236.1 million and RMB30.4 million, respectively.

Operating Lease Charges in Respect of Office Premises

Our operating lease charges in respect of office premises primarily consist of rentals and other related expenses for our offices and staff dormitories. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our operating lease charges in respect of office premises were RMB86.8 million, RMB94.1 million, RMB105.6 million and RMB26.6 million, respectively.

Depreciation and Amortisation Expenses

Our depreciation and amortisation expenses mainly relate to depreciation of property and equipment, amortisation of intangible assets, and depreciation of investment properties. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our depreciation and amortisation costs were RMB27.3 million, RMB24.2 million, RMB27.9 million and RMB6.3 million, respectively.

Loss Allowance on Financial Assets Measured at Amortised Cost

We recognise the expected credit losses for financial assets measured at amortised cost, which primarily include various receivables and amounts due from related parties of a trade nature – accounts receivables. For further detail on our loss allowance policies, see the subsection headed "Critical Accounting Policies, Judgements and Estimates – Provision for and Write-off of Trade Receivables" above. In 2015, 2016 and 2017 and the three months ended 31 March 2018, loss allowance on financial assets measured at amortised cost was RMB63.4 million, RMB104.0 million, RMB119.9 million and RMB12.1 million, respectively, representing 2.3%, 2.6%, 2.6% and 1.3% of our revenue for the respective periods. The following table sets forth a breakdown of our loss allowance on financial assets measured at amortised cost for the periods indicated:

	For the year ended 31 December			For the three-month period ended 31 March	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
(Provision)/reversal for loss allowance on:					
Accounts receivables	(88,417)	(99,202)	(104,626)	(17,504)	4,605
Bills receivables	(1,404)	(2,075)	(7,225)	4,433	(12,069)
Amounts due from related parties of a trade nature – accounts receivables (except for related parties under common control of E-House (China) Holdings)	1,525	(2,753)	(4,475)	1,211	(4,994)
Other receivables and other non-current assets	24,855	71	(3,540)	1,187	315
Total	(63,441)	(103,959)	(119,866)	(10,673)	(12,143)

Consultancy Expenses

Our consultancy expenses represent the service fees we paid to external consultants regarding certain research activities, business development, project consultation, purchases of third-party data, as well as professional consultation in relation to legal, audit and tax services. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our consultancy expenses was RMB158.2 million, RMB176.5 million, RMB224.4 million and RMB29.8 million, respectively.

Distribution Expenses

Our distribution expenses represent commissions we paid to Fangyou-branded stores and other real estate brokerage firms we cooperate with. We started to sell new properties through cooperating brokerage stores in 2016. In 2016 and 2017 and the three months ended 31 March 2018, our distribution expenses was RMB25.0 million, RMB51.7 million and RMB20.7 million, respectively.

Other Operating Costs

Our other operating costs consist of office expenses, travelling expenses and business entertainment expenses. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our other operating costs were RMB215.8 million, RMB253.8 million, RMB284.5 million and RMB52.7 million, respectively. The following table sets forth a breakdown of our other operating cost in each period presented:

	For the year ended 31 December			For the three months ended 31 March	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
				(unaudited)	
Office expenses	89,633	120,638	126,652	30,710	22,584
Travelling expenses	92,444	94,011	105,284	13,652	17,571
Business entertainment expenses	33,717	39,163	52,603	9,379	12,580
Total	215,794	253,812	284,539	53,741	52,735

Other Income

Our other income consists primarily of government grants and interest income from our bank deposits. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our other income was RMB22.2 million, RMB39.3 million, RMB38.3 million and RMB17.6 million, respectively, of which government grants accounted for RMB17.0 million, RMB34.1 million, RMB31.2 million and RMB14.6 million, respectively. Government grants represent incentives from various PRC government authorities in connection with the enterprise development support and fiscal subsidy, which are discretionary and vary from year to year.

Other Gains and Losses

Other gains and losses primarily consist of impairment losses of investment properties, gains or losses related to disposal of investment properties, disposal of property and equipment, exchange fluctuations and fair value gain on financial liabilities at fair value through profit or loss ("**FVTPL**"). Investment properties mainly consist of properties that are transferred to us by our developer customers as a substitute of certain portion of service fees they owed to us. We sometimes allow certain real estate developers to settle a limited percentage of the total amount payable by transferring us certain properties they develop. Depending on the market condition, we may realise gains or losses when we subsequently resell such properties for cash. We recorded other losses of RMB4.4 million in 2015 and RMB2.5 million in 2016. We recorded other gains of RMB3.4 million in 2017. We recorded other losses of RMB21.7 million in the three months ended 31 March 2018.

Other Expenses

Our other expenses consist primarily of non-operation related professional fees, administrative fines, donations and other miscellaneous expenses. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our other expenses were approximately RMB4.9 million, RMB3.8 million, RMB8.8 million and RMB1,000, respectively. Administrative fines mainly represent fines or late payment penalties imposed by industry and commerce, housing, taxation and other administrative agencies in circumstances such as late tax filing and other administrative incidents, and amounted to RMB1.4 million, RMB0.2 million and RMB0.4 million and nil in 2015, 2016, 2017 and the three months ended 31 March 2018, respectively.

Listing Expenses

Listing expenses represent professional fees and other fees incurred in connection with the Listing. We did not incur listing expenses in 2015, 2016 or 2017. Our listing expenses amounted to RMB17.4 million in the three months ended 31 March 2018.

Share of Result of Associates

Share of result of associates represents our share of operating results of our associates. Our associates did not contribute significant profits or losses to our results during the Track Record Period.

Finance Costs

Our finance costs primarily represent interest on our bank borrowings. In 2015, 2016 and 2017 and the three months ended 31 March 2018, our finance costs were RMB26.4 million, RMB29.8 million, RMB21.7 million and RMB5.6 million, respectively.

Taxation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law and accordingly is not subject to income tax of Cayman Islands.

No provision for Hong Kong profit tax has been made as we had no assessable profits arising in or deriving from Hong Kong during the Track Record Period.

For our operations in the PRC, we are primarily subject to the PRC enterprise income tax at a rate of 25% on our taxable income. Some of our PRC subsidiaries enjoyed preferential income tax rates during the Track Record Period. Shanghai Zhuxiang Information Technology Co., Ltd., as a qualified software enterprise, enjoyed income tax exemption for 2015 and 2016, followed by a 50% reduction in income tax from 2017 through 2019. Beijing China Real Estate Research Association Technical Services Co., Ltd., as a qualified "high and new technology enterprise", enjoyed a 15% income tax rate during the Track Record Period. PRC Holdco also enjoyed a 15% income tax rate in 2015 and 2016 as a qualified "high and new technology enterprise", but did not renew such status for 2017 and was therefore subject to a 25% income tax rate for 2017 and the three months ended 31 March 2018. See the section headed "Risk Factors – Risks Related to Our Business and Industry – The discontinuation of any of the preferential tax treatments currently available to us in the PRC or imposition of any additional PRC taxes on us could adversely affect our financial condition and results of operations." In addition, certain of our subsidiaries are eligible to enjoy a 15% preferential income tax rate because they are located in the western regions of China. One of these subsidiaries enjoyed this preferential tax rate throughout the Track Record Period, whereas the others enjoyed this preferential tax rate for 2016 and 2017. PRC Holdco is currently applying for qualification as a high and new technology enterprise. If the application is approved, it will be entitled to a preferential income tax rate of 15%. The Directors confirm that even if the preferential tax treatments currently available to us are discontinued or not renewed upon expiry by the competent tax authorities, such discontinuance or non-renewal would not have a material and adverse effect on our business and results of operations.

In 2015, 2016 and 2017 and the three months ended 31 March 2018, our income tax expenses were RMB112.1 million, RMB216.6 million, RMB206.0 million and RMB67.1 million, respectively.

Following the investments by strategic investors in October 2016, our Group conducted internal review on the overall financial reporting approach of the PRC subsidiaries of each of our major business segments, and commenced to adopt a centralised and standardised mechanism in 2017 to align business judgement and decision in relation to the financial reporting approach of all the Company's business segments and the respective subsidiaries. Accordingly, in 2017, our PRC subsidiaries engaging in the provision of real estate agency services in the primary market (the "**REAS Subsidiaries**") reassessed the timing and amount of revenue in respect the agency services income to align their business judgement and decision in relation to the financial reporting approach with the centralised approach adopted by our

Group. As a result of such adjustment, in 2017 the REAS Subsidiaries started to recognise sales at the time when the performance obligation of the sales of each property unit is satisfied, instead of the date of invoice. Thereafter, the REAS Subsidiaries had prepared their management accounts on that basis, reported the cumulative uninvoiced amounts in the 2016 annual tax return and completed the 2016 annual inspection and assessment of tax payable with the respective local counterparts of the State Administration of Taxation (the "**Annual Tax Filing and Clearance Procedures**") accordingly. The REAS Subsidiaries used a consistent basis for the 2017 Annual Tax Filing and Clearance Procedures, which had been completed and paid subsequently in 2018.

In connection with the adjustment in business judgement and decision described above, we paid income tax of RMB522.3 million in 2017, consisting of (i) our PRC subsidiaries' partial payment of enterprise income tax of RMB40.0 million for 2017 and (ii) the tax clearance payment of enterprise income tax of RMB482.3 million after the Annual Tax Filing and Clearance Procedures had been completed for 2016. The tax clearance amount of each year was derived from the corresponding management accounts prepared by the PRC subsidiaries, PRC audited financial statements issued by PRC accountants or annual tax clearance reports issued by PRC tax accountants, as appropriate, at the time of doing the Annual Tax Filing and Clearance Procedures.

On the basis that (i) the REAS Subsidiaries' management accounts and annual tax returns which were audited or verified by PRC accountants or PRC tax accountants, and these corresponding financial information of REAS Subsidiaries during the Track Record Period (both before and after the adjustment in business judgement and decision described above) were consistently prepared with the applicable PRC accounting standards and relevant PRC tax laws and regulations in all material aspects; (ii) the Reporting Accountants have confirmed that there are no differences noted between the relevant financial information between the annual enterprise income tax returns of the principal PRC subsidiaries and branches and their management accounts provided as a source in preparation of the financial information of the Group incorporated in the Accountants' Report during the Track Record Period; and (iii) the REAS Subsidiaries have obtained compliance letters from the relevant tax authorities in respect of their taxation matters during the Track Record Period, and the tax authorities of the major entities of the REAS Subsidiaries have been interviewed by our PRC Legal Adviser in that regard, our PRC Legal Adviser is of the view that we had been in compliance with applicable PRC tax laws and regulations for the REAS Subsidiaries to declare their income tax during the Track Record Period on the basis of these management accounts.

In addition, all of the cumulative uninvoiced amounts, including the uninvoiced revenue brought forward from previous years, as of 31 December 2016 reported in the 2016 annual tax returns of the REAS Subsidiaries were due to the reassessment of the timing and amount of revenue in order to align with the centralised approach described above, and there were no changes made to the prior years' management accounts of the REAS Subsidiaries on which prior annual tax filings were based. In light of above and based on relevant compliance letters as well as our PRC Legal Adviser's interviews with tax authorities of the major entities of the REAS Subsidiaries, our PRC Legal Adviser is of the view that the relevant tax authorities will not impose any further taxes or penalty on the REAS Subsidiaries' previous tax declaration in respect of the cumulative uninvoiced amount arising from the adoption of the centralised approach.

SEGMENT RESULTS

We report our financial results during the Track Record Period in three segments: (i) real estate agency services in the primary market, (ii) real estate data and consulting services, and (iii) real estate brokerage network services. The table below sets forth certain information with respect to the operating results of these three segments without taking into account inter-segment elimination:

	For the year ended 31 December								
	2015			2016			2017		
	Revenue	Profit/(loss)	Profit margin	Revenue	Profit/(loss)	Profit margin	Revenue	Profit/(loss)	Profit margin
	(in thousands of RMB, except percentages)								
Real estate agency services in the primary market	2,336,540	358,697	15.4%	3,568,575	885,852	24.8%	3,927,498	950,424	24.2%
Real estate data and consulting services	433,077	(47,756)	(11.0%)	448,558	54,251	12.1%	634,023	159,327	25.1%
Real estate brokerage network services	–	–	–	34,689	(125,076)	(360.6%)	79,875	(125,101)	(156.6%)

	For the three months ended 31 March					
	2017			2018		
	Revenue	Profit/(loss)	Profit margin	Revenue	Profit/(loss)	Profit margin
	(in thousands of RMB, except percentages) (unaudited)					
Real estate agency services in the primary market	654,706	135,483	20.7%	734,847	240,479	32.7%
Real estate data and consulting services	186,412	68,256	36.6%	168,052	57,048	33.9%
Real estate brokerage network services	14,330	(27,114)	(189.2%)	29,614	(34,197)	(115.5%)

Real Estate Agency Services in the Primary Market

Profit margin for the real estate agency services in the primary market segment increased from 15.4% in 2015 to 24.8% in 2016 primarily due to our improved operational efficiency and increasing economies of scale, which resulted in decreases in staff costs and other expenses as percentages of our revenue. Profit margin for this segment decreased slightly from 24.8% in 2016 to 24.2% in 2017 primarily due to an increase in advertising and promotion expenses, partially offset by a further decrease in staff costs as a percentage of our revenue. Profit margin for this segment increased from 20.7% in the three months ended 31 March 2017 to 32.7% in the three months ended 31 March 2018 primarily due to increasing economies of scale. We were able to sell more new property units for our developer customers without incurring significantly greater staff costs and various other expenses.

Real Estate Data and Consulting Services

Our real estate data and consulting services segment incurred a net loss in 2015 primarily because we made significant investments in 2014 and 2015 to develop home price rating services. We discontinued development of such services in 2015. Profit margin for this segment increased from 12.1% in 2016 to 25.1% in 2017 primarily due to the growth of our rating and ranking services and the launch of our transaction advisory services, both of which have a higher profit margin than our overall data and consulting services. Profit margin for this segment decreased from 36.6% in the three months ended 31 March 2017 to 33.9% in the three months ended 31 March 2018 primarily due to a decrease in revenue from our transaction advisory services. As we provide transaction advisory services for a limited number of projects with high individual transaction values, revenue from such services is subject to period-to-period fluctuations and may be concentrated in different quarters across different years.

Real Estate Brokerage Network Services

We launched our real estate brokerage network services in January 2016. Profit margin for this segment improved from negative 360.6% in 2016 to negative 156.6% in 2017 and further to negative 115.5% in the three months ended 31 March 2018 primarily due to a significant increase in the number of cooperating brokerage stores that we utilised to source buyers of new properties and commissions received from such sourcing services, while our research and development and other fixed costs in relation to our real estate brokerage network services had remained stable.

NON-IFRS MEASURES

To supplement our consolidated financial information which are presented in accordance with IFRS, we also use (i) operating profit and operating profit margin, (ii) adjusted profit and total comprehensive income attributable to owners of the Company, and (iii) adjusted net assets attributable to owners of the Company as additional measures for illustrative purposes only. The calculation of these measures is not in accordance with IFRS. We present these non-IFRS measures aim to supplement the historical financial information as disclosed in the Accountants' Report in Appendix I in relation to the transfer of the Group's 50% equity interest in the PRC Holdco in aggregate to the 21 Investors without losing control on 31 October 2016.

Completion of this transaction had resulted in the recognition of 50% non-controlling interests of the PRC Holdco on 31 October 2016. 50% of the profit and total comprehensive income of the PRC Holdco since then are recognised as attributable to the non-controlling interests of the PRC Holdco.

We also believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated financial results in the same manner as our management.

Operating Profit and Operating Profit Margin

We define our operating profit as revenue net of operating costs, which consist of staff costs, advertising and promotion expenses, operating lease charges in respect of office premises, depreciation and amortisation expenses, loss allowance on accounts receivables, consultancy expenses, distribution expenses, and other operating costs. We define operating profit margin as operating profit divided by revenue for the period. The calculation of operating profit and operating profit margin is not in accordance with IFRS and may not be directly comparable with similarly named financial measures of other companies. The use of these measures have limitations as an analytical tool, and you should not consider them in isolation from other measures as reported in accordance with IFRS.

The following table sets forth our operating profit and operating profit margin for the periods indicated:

	Year ended 31 December			For the three-month period ended 31 March	
	2015	2016	2017	2017	2018
	(in thousands of RMB, except percentages)			(unaudited)	
Revenue	2,716,446	3,996,129	4,633,360	854,794	930,202
Operating costs:					
Staff costs	(1,736,714)	(2,401,923)	(2,623,332)	(500,588)	(503,388)
Advertising and promotion expenses	(125,551)	(130,539)	(236,053)	(29,231)	(30,378)
Operating lease charges in respect of office premises	(86,837)	(94,133)	(105,571)	(25,248)	(26,613)
Depreciation and amortisation expenses	(27,258)	(24,190)	(27,870)	(9,308)	(6,291)
Loss allowance on financial assets measured at amortised cost	(63,441)	(103,959)	(119,866)	(10,673)	(12,143)
Consultancy expenses	(158,180)	(176,464)	(224,424)	(37,003)	(29,801)
Distribution expenses	–	(24,967)	(51,726)	(9,174)	(20,676)
Other operating costs	(215,794)	(253,812)	(284,539)	(53,741)	(52,735)
Total operating costs	(2,413,775)	(3,209,987)	(3,673,381)	(674,966)	(682,025)
Operating profit	302,671	786,142	959,979	179,828	248,177
Operating profit margin	11.1%	19.7%	20.7%	21.0%	26.7%

Our operating profit margin increased from 11.1% in 2015 to 19.7% in 2016 primarily due to our improved operational efficiency and increasing economies of scale, which resulted in decreases in staff costs and other expenses as percentages of our revenue. Our operating profit margin increased from 19.7% in 2016 to 20.7% in 2017 primarily reflecting a further decrease in staff costs as a percentage of revenue, partially offset by an increase in advertising and promotion expenses as a percentage of revenue, as we provided more marketing and promotion services for our developer customers and increased marketing activities to promote our "Fangyou" brand in 2017. Our operating profit margin increased from 21.0% for the three months ended 31 March 2017 to 26.7% for the three months ended 31 March 2018 primarily due to a further improvement in our operational efficiency.

Adjusted Profit and Total Comprehensive Income and Adjusted Net Assets Attributable to Owners of the Company

We present adjusted profit and total comprehensive income and adjusted net assets attributable to owners of the Company solely to illustrate the impact on our consolidated financial information (in particular, on our profit and total comprehensive income attributable to owners of the Company for the years ended 31 December 2016 and 2017 and for the three months ended 31 March 2018 and our net assets attributable to owners of the Company as of 31 December 2016 and 2017 and 31 March 2018) had PRC Holdco been wholly owned by our Company throughout the Track Record Period.

On 31 October 2016, we sold 50% of the equity interest in PRC Holdco to 21 investors. We simultaneously entered into a voting agreement with one of the 21 investors, whereby we retained control over PRC Holdco. PRC Holdco is the holding company of our PRC operating companies and, together with its subsidiaries, accounted for substantially all of our revenue, profit and total comprehensive income for the year and net assets during the Track Record Period. In connection with the Listing, the 21 investors transferred their equity interest in PRC Holdco to a wholly owned subsidiary of our Company on 5 March 2018.

For more information on the reorganisation, please see the section headed "History, Reorganisation, and Corporate Structure – Our Corporate Reorganisation" and "– Pre-IPO Investments." Between 31 October 2016 and 5 March 2018, as the 21 investors collectively held a 50% non-controlling interest in PRC Holdco, only 50% of the profit generated, and 50% of the net assets owned, by PRC Holdco and its subsidiaries were attributable to owners of our Company. As of 5 March 2018, PRC Holdco became a wholly owned subsidiary of our Company, and there ceased to be any non-controlling interest of PRC Holdco. Hence, we believe that adjusting our profit and total comprehensive income and net assets attributable to owners of the Company by adding back profit and net assets (as applicable) attributable to the 21 investors would provide useful information to help our management and investors compare our financial results across accounting periods and to those of our peer companies. Relative to their unadjusted counterparts, our adjusted profit and total comprehensive income and adjusted net assets attributable to owners of the Company for the years ended 31 December 2016 and 2017 and the three months ended 31 March 2018 or as of 31 December 2016 and 2017 and 31 March 2018 are more comparable to our profit and total comprehensive income and net assets (as applicable) attributable to owners of the Company for any period or as of any date after 5 March 2018.

Although we believe that these non-IFRS measures provide meaningful information to investors and others in understanding our profit and total comprehensive income and net assets attributable to owners of the Company during the relevant periods, they are prepared based on a number of assumptions, estimates and uncertainties for illustrative purposes only. These adjusted measures are solely intended to demonstrate the effect on our consolidated financial information by removing the accounting impact in respect of the profit and net assets attributable to the non-controlling interests of PRC Holdco for the years ended 31 December 2016 and 2017 and the three months ended 31 March 2018 or as of 31 December 2016 and 2017 and 31 March 2018 had the transfer of the entire equity interest of the PRC Holdco to our Company taken place on 31 October 2016. This illustration does not take into account the necessary adjustments of the financial impact of other events and transactions related to the reorganisation on or after that date, including but not limited to the placing and issuance of new shares of the Company to certain offshore investors and the necessary transaction costs actually incurred as to the transfer the entire equity interest of PRC Holdco to our Company.

The following table reconciles our adjusted profit and total comprehensive income attributable to owners of the Company for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit and total comprehensive income for the year attributable to owners of the Company:

	Year ended 31 December			Three months ended 31 March	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
Profit and total comprehensive income for the year/period attributable to owners of the Company.	165,209	486,969	352,020	56,000	93,875
Add:					
Profit and total comprehensive income attributable to non-controlling interests of PRC Holdco (excluding the non-controlling interests of non-wholly owned subsidiaries of PRC Holdco)	–	64,715	350,025	56,011	32,648
Adjusted profit and total comprehensive income attributable to owners of the Company	165,209	551,684	702,045	112,011	126,523

The following table reconciles our adjusted net assets attributable to owners of the Company as of the dates presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is net assets attributable to owners of the Company:

	As of 31 December			As of 31 March
	2015	2016	2017	2018
	(in thousands of RMB)			
Net assets attributable to owners of the Company	847,261	706,030	1,025,110	2,986,268
Add:				
Net assets attributable to non-controlling interests of PRC Holdco (excluding the non-controlling interests of non-wholly owned subsidiaries of PRC Holdco)	–	700,611	1,047,636	–
Adjusted net assets attributable to owners of the Company	847,261	1,406,641	2,072,746	2,986,268

PERIOD TO PERIOD COMPARISON OF OUR RESULTS OF OPERATIONS

Three Months Ended 31 March 2018 Compared to Three Months Ended 31 March 2017

Revenue

Our revenue 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. This increase was primarily due to the growth of our real estate agency services in the primary market and real estate brokerage network services, partially offset by a decrease in revenue from real estate data and consulting services.

Revenue derived from real estate agency services in the primary market increased by 12.2% from RMB654.7 million in the three months ended 31 March 2017 to RMB734.8 million in the three months ended 31 March 2018, primarily due to an increase in total GFA of new properties sold from 6.2 million square metres in the three months ended 31 March 2017 to 6.6 million square metres in the three months ended 31 March 2018 and an increase in total value of new properties sold from RMB73.5 billion in the three months ended 31 March 2017 to RMB83.3 billion in the three months ended 31 March 2018. Such increase in total transaction value was primarily due to the business growth of our existing developer customers. Our average commission rate remained stable at 0.88% in the three months ended 31 March 2018 compared with 0.89% in the three months ended 31 March 2017.

Revenue derived from real estate brokerage network services increased by 94.1% from RMB14.3 million in the three months ended 31 March 2017 to RMB27.8 million in the three months ended 31 March 2018. This increase was primarily due to an increase in commissions received from developers for sourcing buyers of new properties through Fangyou-branded stores and other cooperating brokerage firms, as more brokerage firms cooperated with us to sell new properties in the three months ended 31 March 2018.

Revenue derived from real estate data and consulting services decreased by 9.8% from RMB185.8 million in the three months ended 31 March 2017 to RMB167.6 million in the three months ended 31 March 2018 primarily due to a decrease in revenue from our transaction advisory services. As we provide transaction advisory services for a limited number of projects with high individual transaction values, revenue from such services is subject to period-to-period and may be concentrated in different quarters across different years.

Staff costs

Our staff costs were relatively stable, increasing by 0.6% from RMB500.6 million in the three months ended 31 March 2017 to RMB503.4 million in the three months ended 31 March 2018. Staff costs as a percentage of our revenue decreased from 58.6% in the three months ended 31 March 2017 to 54.1% in the three months ended 31 March 2018 primarily due to increasing economies of scale.

Advertising and promotion expenses

Our advertising and promotion expenses were relatively stable, increasing by 3.9% from RMB29.2 million in the three months ended 31 March 2017 to RMB30.4 million in the three months ended 31 March 2018.

Operating lease charges in respect of office premises

Our operating lease charges in respect of office premises increased by 5.4% from RMB25.2 million in the three months ended 31 March 2017 to RMB26.6 million in the three months ended 31 March 2018, primarily due to an increase in office leasing expenses as a result of our business expansion.

Depreciation and amortisation expenses

Our depreciation and amortisation expenses decreased by 32.4% from RMB9.3 million in the three months ended 31 March 2017 to RMB6.3 million in the three months ended 31 March 2018, primarily because certain of our fixed assets were disposed of or had become fully depreciated in 2017.

Loss allowance on financial assets measured at amortised cost

Our loss allowance on financial assets measured at amortised cost increased by 13.8% from RMB10.7 million in the three months ended 31 March 2017 to RMB12.1 million in the three months ended 31 March 2018, primarily due to increases in loss allowance on bills receivables and loss allowance on amounts due from related parties of a trade nature – accounts receivables, partially offset by a reversal of loss allowance on accounts receivables in the three months ended 31 March 2018. The increases in loss allowance on bills receivables and loss allowance on amounts due from related parties of a trade nature – accounts receivables were primarily due to the growth in our business volume with our Shareholder customers and an increase in the average term of our bills receivables. The reversal of loss allowance on accounts receivables in the three months ended 31 March 2018 was primarily due to a decrease in the ending balance of accounts receivables.

Consultancy expenses

Our consultancy expenses decreased by 19.5% from RMB37.0 million in the three months ended 31 March 2017 to RMB29.8 million in the three months ended 31 March 2018, primarily because we used less external consultancy services in connection with our real estate agency services in the primary market in the three months ended 31 March 2018. The need for external consultancy services varies from project to project and the related expenses are subject to period-to-period fluctuations.

Distribution expenses

Our distribution expenses increased by 125.4% from RMB9.2 million in the three months ended 31 March 2017 to RMB20.7 million in the three months ended 31 March 2018, primarily due to the growth of our real estate brokerage network services segment.

Other operating costs

Our other operating costs decreased by 1.9% from RMB53.7 million in the three months ended 31 March 2017 to RMB52.7 million in the three months ended 31 March 2018, primarily due to a decrease in office expenses, partially offset by increases in travelling expenses and business entertainment expense. The decrease in office expenses was primarily because in the three months ended 31 March 2017, we incurred additional office expenses in connection with a company event and office renovation apart from our routine office expenses. The increases in travelling expenses and business entertainment were primarily due to our business growth.

Other income

Our other income increased from RMB1.6 million in the three months ended 31 March 2017 to RMB17.6 million in the three months ended 31 March 2018, primarily due to an increase in government grants of RMB14.4 million, as we received certain grants from a local government in Shanghai during the first quarter of 2018 but did not receive similar grants from the same local government until after the first quarter in 2017.

Other gains and losses

We recorded net other gains of RMB0.5 million in the three months ended 31 March 2017 and net other losses of RMB21.7 million in the three months ended 31 March 2018. Our net other losses in the three months ended 31 March 2018 were primarily attributable to a net exchange loss of RMB45.8 million and a fair value gain on financial liabilities at FVTPL of RMB23.9 million. The net exchange loss was primarily in connection with the effect of appreciation of the Renminbi against the relevant foreign currencies to our bank balances denominated in foreign currencies. The fair value gain on financial liabilities at FVTPL was primarily due to a fair value change of the conditional investment fund received prior to the conversion to equity.

Other expenses

Our other expenses decreased from RMB4.1 million in the three months ended 31 March 2017 to approximately RMB1,000 in the three months ended 31 March 2018, primarily due to a decrease in non-operation related professional fees.

Listing expenses

We did not record any listing expenses in the three months ended 31 March 2017. We recorded listing expenses of RMB17.4 million in the three months ended 31 March 2018 in connection with the Global Offering.

Share of result of associates

We recorded share of profits of associates of RMB0.2 million in the three months ended 31 March 2017 and share of losses of associates of RMB1.6 million in the three months ended 31 March 2018. The share of losses in the three months ended 31 March 2018 was primarily attributable to a share of loss in a new real estate investment and management company, partially offset by a share of profit in a real estate marketing strategy company.

Finance costs

Our finance costs decreased by 16.4% from RMB6.6 million in the three months ended 31 March 2017 to RMB5.6 million in the three months ended 31 March 2018, primarily due to a decrease in our average outstanding bank loan balance and a decrease in our average interest rate in the three months ended 31 March 2018.

Income tax expense

Our income tax expense increased by 85.1% from RMB36.2 million in the three months ended 31 March 2017 to RMB67.1 million in the three months ended 31 March 2018, primarily due to an increase in our effective income tax rate and, to a lesser extent, an increase in our profit before taxation. Our effective income tax rate increased from 21.1% in the three months ended 31 March 2017 to 30.6% in the three months ended 31 March 2018, primarily due to a significant increase in expenses that were non-deductible for income tax purposes, particularly listing expenses in connection with the Global Offering. Income tax expense represents our total current and deferred tax credit for the three months ended 31 March 2017 and deferred tax expenses for the three months ended 31 March 2018.

Deferred tax credit of RMB30 million for the three months period ended 31 March 2017 and deferred tax expenses of RMB33 million for the three months period ended 31 March 2018, primarily due to payment of accrued welfare and commission during the first quarter of 2018, which then became tax deductible and reduce the balance of the deductible temporary difference.

Profit and total comprehensive income for the period

As a result of the foregoing, our profit and total comprehensive income for the period 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.

Year ended 31 December 2017 Compared to Year ended 31 December 2016

Revenue

Our revenue increased by 15.9% from RMB3,996.1 million in 2016 to RMB4,633.4 million in 2017. This increase was primarily due to the growth of our real estate agency services in the primary market and real estate data and consulting services.

Revenue derived from real estate agency services in the primary market increased by 10.0% from RMB3,568.6 million in 2016 to RMB3,926.7 million in 2017, primarily due to an increase in total GFA of new properties sold from 35.5 million square meters in 2016 to 37.2 million square metres in 2017 and an increase in total value of new properties sold from RMB406.1 billion in 2016 to RMB433.0 billion in 2017. Such increase in total transaction value was primarily due to the business growth of our existing developer customers. Our average commission rate increased slightly from 0.88% in 2016 to 0.91% in 2017.

Revenue derived from real estate data and consulting services increased by 58.8% from RMB396.4 million in 2016 to RMB629.4 million in 2017 primarily due to the growth in our rating and ranking services and our transaction advisory services, as well as the growth of our data services and other consulting services.

Revenue derived from real estate brokerage network services increased by 147.8% from RMB31.2 million in 2016 to RMB77.2 million in 2017. This increase was primarily due to an increase in commissions received from developers for sourcing buyers of new properties through Fangyou-branded and other brokerages, as more brokerages cooperated with us to sell new properties in 2017.

Staff costs

Our staff costs increased by 9.2% from RMB2,401.9 million in 2016 to RMB2,623.3 million in 2017 primarily because we hired more employees to accommodate our business growth. Staff costs as a percentage of our revenue decreased from 60.1% in 2016 to 56.6% in 2017 primarily due to increasing economies of scale.

Advertising and promotion expenses

Our advertising and promotion expenses increased by 80.8% from RMB130.5 million in 2016 to RMB236.1 million in 2017. For our real estate agency services in the primary market segment, we were engaged to provide marketing services for only a small portion of the projects we worked on, and therefore our advertising and promotion expenses may not correlate with our overall revenue for this segment. We were requested by certain developer customers to provide more marketing and promotion services in 2017, which contributed to the increase in our advertising and promotion expenses. To a lesser extent, the increase was also in part due to increased marketing activities to promote our "Fangyou" brand.

Operating lease charges in respect of office premises

Our operating lease charges in respect of office premises increased by 12.2% from RMB94.1 million in 2016 to RMB105.6 million in 2017, primarily due to an increase in office leasing expenses as a result of our business expansion.

Depreciation and amortisation expenses

Our depreciation and amortisation expenses increased by 15.2% from RMB24.2 million in 2016 to RMB27.9 million in 2017, primarily due to an increase in depreciation associated with the decoration of Fangyou-branded brokerage stores, and an increase in depreciation associated with the decoration and maintenance of our office space.

Loss allowance on financial assets measured at amortised cost

Our loss allowance on financial assets measured at amortised cost increased by 15.3% from RMB104.0 million in 2016 to RMB119.9 million in 2017, primarily due to the growth in our business volume.

Consultancy expenses

Our consultancy expenses increased by 27.2% from RMB176.5 million in 2016 to RMB224.4 million in 2017, primarily because we used more external consultancy services related to, among others, project planning and data acquisition in 2017 to improve the quality of our own services.

Distribution expenses

Our distribution expenses increased by 107.2% from RMB25.0 million in 2016 to RMB51.7 million in 2017, primarily due to the growth of our real estate brokerage network services segment.

Other operating costs

Our other operating costs increased by 12.1% from RMB253.8 million in 2016 to RMB284.5 million in 2017, primarily due to increases in office expenses, travelling expenses and business entertainment expense as a result of our business growth.

Other income

Our other income decreased by 2.6% from RMB39.3 million in 2016 to RMB38.3 million in 2017, primarily due to a decrease in government grants of RMB2.8 million, partially offset by an increase in interest income of RMB1.9 million due to an increase in our average bank account balances.

Other gains and losses

We recorded other losses of RMB2.5 million in 2016 and other gains of RMB3.4 million in 2017. Our other losses in 2016 were primarily attributable to impairment losses on investment properties of RMB2.1 million as a result of fair value decline of certain properties. Our other gains in 2017 were primarily attributable to net exchange loss of RMB14.9 million and fair value gain on financial liabilities at FVTPL of RMB17.0 million. The net exchange loss was primarily in connection with the effect of appreciation of the Renminbi against the relevant foreign currencies to our bank balances denominated in foreign currencies. The fair value gain on financial liabilities at FVTPL was primarily due to a fair value change of the conditional investment fund received prior to the conversion to equity.

Other expenses

Our other expenses increased by 132.3% from RMB3.8 million in 2016 to RMB8.8 million in 2017, which was primarily due to damages we paid for termination of an office lease as part of our internal business integration and an increase in non-operation related professional fees.

Share of result of associates

We recorded share of losses of associates of RMB0.5 million in 2016 and share of profits of associates of RMB0.1 million in 2017. Our share of result of associates was insignificant in both years.

Finance costs

Our finance costs decreased by 27.2% from RMB29.8 million in 2016 to RMB21.7 million in 2017, primarily due to a decrease in our average outstanding bank loan balance in 2017.

Income tax expense

Our income tax expense decreased by 4.9% from RMB216.6 million in 2016 to RMB206.0 million in 2017, primarily due to a decrease in our effective income tax rate. Our effective income tax rate decreased from 27.5% in 2016 to 21.2% in 2017, primarily due to a significant growth in profit before taxation of certain subsidiaries that enjoyed a 15% preferential enterprise income tax. Income tax expense represents our total current and deferred tax expenses for the year 2016 and 2017.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year increased by 33.8% from RMB572.2 million in 2016 to RMB765.3 million in 2017.

Year Ended 31 December 2016 Compared to Year Ended 31 December 2015

Revenue

Our revenue increased by 47.1% from RMB2,716.4 million in 2015 to RMB3,996.1 million in 2016, primarily due to the increase in revenue derived from real estate agency services in the primary market.

Revenue derived from real estate agency services in the primary market increased by 52.7% from RMB2,336.5 million in 2015 to RMB3,568.6 million in 2016, primarily due to an increase in total GFA of new properties sold from 26.1 million square metres in 2015 to 35.5 million square metres in 2016 and an increase in total value of new properties sold from RMB267.5 billion in 2015 to RMB406.1 billion in 2016. Such increase in total transaction value was primarily due to the business growth of our existing developer customers and, to a lesser extent, due to the addition of new developer customers. Our average commission rate remained stable with a slight increase from 0.87% in 2015 to 0.88% in 2016.

Revenue derived from real estate data and consulting services increased by 4.3% from RMB379.9 million in 2015 to RMB396.4 million in 2016 primarily due to the growth in our rating and ranking services.

We launched our real estate brokerage network services in January 2016 and generated a revenue of RMB31.2 million from such services for that year.

Staff costs

Our staff costs increased by 38.3% from RMB1,736.7 million in 2015 to RMB2,401.9 million in 2016, primarily due to an increase in the number of employees from 2015 to 2016 as a result of our business growth. Staff costs as a percentage of our revenue decreased from 63.9% in 2015 to 60.1% in 2016 primarily due to increasing economies of scale.

Advertising and promotion expenses

Our advertising and promotion expenses increased by 4.0% from RMB125.6 million in 2015 to RMB130.5 million in 2016. The percentage increase was much smaller than the percentage increase in our revenue, as we were engaged to provide marketing services for only a small portion of the projects we worked on, and therefore our advertising and promotion expenses may not correlate with our overall revenue.

Operating lease charges in respect of office premises

Our operating lease charges in respect of office premises increased by 8.4% from RMB86.8 million in 2015 to RMB94.1 million in 2016, primarily due to an increase in office space to accommodate the growth in our headcount and business.

Depreciation and amortisation costs

Our depreciation and amortisation costs decreased by 11.3% from RMB27.3 million in 2015 to RMB24.2 million in 2016, primarily due to certain investment properties of E-House Management and Beijing EJU Enterprise Management Consulting Co., Ltd. were not transferred to the Group in a business reorganisation we effected on 31 December 2015.

Loss allowance on financial assets measured at amortised cost

Our loss allowance on financial assets measured at amortised cost increased by 63.9% from RMB63.4 million in 2015 to RMB104.0 million in 2016, primarily due to the growth in our business volume.

Consultancy expenses

Our consultancy expenses increased by 11.6% from RMB158.2 million in 2015 to RMB176.5 million in 2016, primarily due to the overall growth of our business which led to a corresponding increase in our consultancy fees paid to external consultants.

Distribution expenses

We launched our real estate brokerage network services in 2016 and incurred distribution expenses of RMB25.0 million for the operation of such services.

Other operating costs

Our other operating costs increased by 17.6% from RMB215.8 million in 2015 to RMB253.8 million in 2016, primarily due to the increase in our office expenses as a result of our business growth.

Other income

Our other income increased by 76.7% from RMB22.2 million in 2015 to RMB39.3 million in 2016, primarily due to an increase in government grants from RMB17.0 million in 2015 to RMB34.1 million in 2016, which positively correlates to the growth in our profit and tax payment.

Other gains and losses

Our other losses decreased by 43.2% from RMB4.4 million in 2015 to RMB2.5 million in 2016. Our other losses in 2015 were mainly attributable to impairment loss on investment properties of RMB7.3 million as a result of fair value decline of certain properties, partially offset by gain on disposal of investment properties of RMB2.2 million. Our other losses in 2016 were mainly attributable to impairment loss on investment properties of RMB2.1 million as a result of fair value decline of certain properties. These investment properties were real estate property units transferred to us by certain developer clients in lieu of cash payment of service fees.

Other expenses

Our other expenses decreased by 22.1% from RMB4.9 million in 2015 to RMB3.8 million in 2016, primarily due to a decrease in administrative fines.

Share of result of associates

We recorded share of profits of associates of RMB0.1 million in 2015 and share of losses of associates of RMB0.5 million in 2017. Our share of result of associates was insignificant in both years.

Finance costs

Our finance costs increased by 12.5% from RMB26.4 million in 2015 to RMB29.8 million in 2016, primarily due to an increase in our average outstanding bank loan balance.

Income tax expense

Our income tax expense increased by 93.3% from RMB112.1 million in 2015 to RMB216.6 million in 2016, primarily due to the significant growth in our profit before income tax as a result of business growth, partially offset by a decrease in our effective income tax rate. Our effective income tax rate decreased from 38.7% in 2015 to 27.5% in 2016. The lower effective income tax rate in 2016 was primarily due to (i) a larger amount of non-deductible expenses for income tax purposes in 2015, (ii) a significant growth in profit before taxation of certain subsidiaries that enjoyed a 15% preferential enterprise income tax, and (iii) additional subsidiaries becoming eligible to enjoy a preferential tax rate of 15% in 2016 pursuant to the relevant regulations applicable to enterprises in western China. Income tax expense represents our total current and deferred tax expenses for the year 2015 and 2016.

Deferred tax credit increased substantially from RMB26 million in 2015 to RMB142 million in 2016, primarily due to significant increase of deductible temporary difference arising from accrued welfare and commission and bad and doubtful debts associated with the significant growth of our business.

Profit and total comprehensive income for the year

As a result of the foregoing, our profit and total comprehensive income for the year increased by 223.0% from RMB177.2 million in 2015 to RMB572.2 million in 2016.

NET CURRENT ASSETS

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of 31 March	As of 31 May
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
					(Unaudited)
Current Assets					
Accounts receivables and bills receivables	1,392,244	2,290,708	3,308,002	2,231,579	2,255,572
Other receivables	25,259	40,668	71,590	87,951	169,202
Amounts due from related parties	470,241	365,040	379,070	1,319,609	1,265,272
Financial assets mandatorily measured at fair value through profit or loss	–	–	20,000	20,000	20,000
Restricted bank balances	500	63,623	131,264	82,720	128,092
Cash and cash equivalents	465,756	974,946	1,791,290	3,182,165	759,348
Total current assets	2,354,000	3,734,985	5,701,216	6,924,024	4,597,486
Current Liabilities					
Accounts payables	68,484	109,614	174,561	119,493	142,742
Advanced from customers	36,255	64,541	83,468	105,967	120,124
Accrued payroll and welfare expenses	536,728	961,546	1,161,640	806,523	539,400
Other payables	124,146	253,518	1,604,386	2,162,229	310,178
Tax payables	301,891	567,929	405,733	372,027	222,805
Amounts due to related parties	331,557	478,606	297,294	312,855	115,131
Bank borrowings	160,000	390,000	450,000	550,000	350,000
Total current liabilities	1,559,061	2,825,754	4,177,082	4,429,094	1,800,380
Net current assets	794,939	909,231	1,524,134	2,494,930	2,797,106

As of 31 December 2015, 2016 and 2017 and 31 March and 31 May 2018, we had net current assets of RMB794.9 million, RMB909.2 million, RMB1,524.1 million, RMB2,494.9 million and RMB2,797.1 million, respectively. Our net current assets increased significantly during the Track Record Period primarily due to the increase in cash and cash equivalents as a result of investments from new Shareholders in 2016 and 2017 as well as our increasing profit and retained earnings. Our cash and cash equivalents decreased from RMB3,182.2 million as of 31 March 2018 to RMB759.3 million as of 31 May 2018 primarily due to the payment on 19 April 2018 of the consideration payable for the acquisition of the 100% equity interests of PRC Holdco. To a lesser extent, the decrease in cash and cash equivalents was also due to the settlement of certain amounts due to related parties and tax payables.

Discussion of Key Balance Sheet Items

Trade receivables

Our trade receivables include accounts receivables, bills receivables and amounts due from related parties of a trade nature – accounts receivables. Accounts receivables represent service fees due from our customers that are not our Shareholders or other related parties. Bills receivables represent commercial bills, which typically mature in 12 months, received from our customers in lieu of cash payments. Amounts due from related parties of a trade nature – accounts receivables represent service fees due from our customers that are also our Shareholders or other related parties. The table below set forth a breakdown of our trade receivables after loss allowance:

	As of 31 December			As of 31 March
	2015	2016	2017	2018
	(in thousands of RMB)			
Accounts receivables	1,171,041	1,928,870	2,580,021	1,607,075
Bill receivables	221,203	361,838	727,981	624,504
Amounts due from related parties of a trade nature – accounts receivables	20,534	78,984	45,188	981,016
Total	1,412,778	2,369,692	3,353,190	3,212,595

Our total trade receivables increased by 67.7% from RMB1,412.8 million as of 31 December 2015 to RMB2,369.7 million as of 31 December 2016 and further by 41.5% to RMB3,353.2 million as of 31 December 2017 primarily due to increases in our overall business and revenue, particularly revenue derived from certain top developer customers. Our total trade receivables remained relatively stable at RMB3,212.6 million as of 31 March 2018. Amounts due from related parties of a trade nature – accounts receivables increased, and accounts receivables decreased correspondingly, because Country Garden, Evergrande and Vanke became our related parties on 5 March 2018. Our bills receivables are derived from the settlement of trade receivables with commercial bills. Our bills receivables increased significantly during the Track Record Period primarily due to the increase in our revenue and the percentage of service fees settled in the form of commercial bills. A significant portion of our bills receivables is from one real estate developer and as of 31 December 2015, 2016 and 2017 and 31 March 2018, the carrying amount of our bills receivables issued by this real estate developer amounted to RMB218.3 million, RMB357.6 million, RMB715.6 million and RMB619.5 million, respectively. In 2015, 2016 and 2017 and the three months ended 31 March 2018, the total amount of our account receivables from this real estate developer that were settled through commercial bills amounted to RMB522.7 million, RMB686.0 million, RMB756.3 million and RMB346.1 million, respectively. The total amount of our accounts receivables that were settled through commercial bills in 2015, 2016 and 2017 and the three months ended 31 March 2018 was RMB528.7 million, RMB703.3 million, RMB778.1 million and RMB346.8 million, respectively.

We generally invoice our developer customers shortly before they are prepared to make payments to us in accordance with our agreements. Due to the extended settlement cycles typical in the real estate industry, there could be a delay from revenue recognition to invoicing, typically for a few months. As a result, we have uninvoiced trade receivables at any specific time. As of 31 December 2015, 2016 and 2017 and 31 March 2018, our total amount of uninvoiced accounts receivables, bills receivables, and amounts due from related parties of a trade nature-accounts receivables before loss allowance on ECL amounted to RMB1,105.6 million, RMB1,726.0 million, RMB2,306.0 million and RMB2,141.7 million, respectively. The following tables set forth certain information on subsequent invoicing/settlement of uninvoiced and invoiced accounts receivables and bill receivables, and amounts due from related parties of a trade nature – accounts receivables, respectively, as of the dates presented:

As of 31 December 2017

	Invoiced amounts before loss allowance		Uninvoiced amounts before loss allowance		Loss allowance on ECL	Total
	RMB	%	RMB	%	RMB	RMB
	(in thousands, except percentages)					
Accounts receivables and bills receivables	1,520,967		2,253,391		(466,356)	3,308,002
Subsequent settlement as of the Latest Practicable Date	1,231,807	81.0	N/A	N/A	*Note*	1,231,807
Subsequent invoiced and not yet settled as of the Latest Practicable Date	N/A	N/A	857,477	38.1	*Note*	857,477
Subsequent invoiced and settled as of the Latest Practicable Date	N/A	N/A	687,581	30.5	*Note*	687,581
Uninvoiced as of the Latest Practicable Date	N/A	N/A	708,333	31.4	*Note*	708,333
Unsettled as of the Latest Practicable Date	289,160	19.0	N/A	N/A	*Note*	289,160
	1,520,967	100.0	2,253,391	100.0		
Amounts due from related parties of a trade nature – accounts receivables	550		52,653		(8,015)	45,188
Subsequent settlement as of the Latest Practicable Date	–	–	N/A	N/A	*Note*	–
Subsequent invoiced and not yet settled as of the Latest Practicable Date	N/A	N/A	290	0.6	*Note*	290
Subsequent invoiced and settled as of the Latest Practicable Date	N/A	N/A	6,290	11.9	*Note*	6,290
Uninvoiced as of the Latest Practicable Date	N/A	N/A	46,073	87.5	*Note*	46,073
Unsettled as of the Latest Practicable Date	550	100.0	N/A	N/A	*Note*	550
	550	100.0	52,653	100.0		

As of 31 March 2018

	Invoiced amounts before loss allowance		Uninvoiced amounts before loss allowance		Loss allowance on ECL	Total
	RMB	%	RMB	%	RMB	RMB
	(in thousands, except percentages)					
Accounts receivables and bills receivables	1,335,245		1,339,506		(443,172)	2,231,579
Subsequent settlement as of the Latest Practicable Date	681,220	51.0	N/A	N/A	*Note*	681,220
Subsequent invoiced and not yet settled as of the Latest Practicable Date	N/A	N/A	289,829	21.6	*Note*	289,829
Subsequent invoiced and settled as of the Latest Practicable Date	N/A	N/A	148,256	11.1	*Note*	148,256
Uninvoiced as of the Latest Practicable Date	N/A	N/A	901,421	67.3	*Note*	901,421
Unsettled as of the Latest Practicable Date	654,025	49.0	N/A	N/A	*Note*	654,025
	1,335,245	100.0	1,339,506	100.0		

	Invoiced amounts before loss allowance		Uninvoiced amounts before loss allowance		Loss allowance on ECL	Total
	RMB	%	RMB	%	RMB	RMB
	(in thousands, except percentages)					
Amounts due from related parties of a trade nature – accounts receivables	222,513		802,158		(43,655)	981,016
Subsequent settlement as of the Latest Practicable Date	12,392	5.6	N/A	N/A	*Note*	12,392
Subsequent invoiced and not yet settled as of the Latest Practicable Date	N/A	N/A	334,761	41.7	*Note*	334,761
Subsequent invoiced and settled as of the Latest Practicable Date	N/A	N/A	53,890	6.7	*Note*	53,890
Uninvoiced as of the Latest Practicable Date	N/A	N/A	413,507	51.6	*Note*	413,507
Unsettled as of the Latest Practicable Date	210,121	94.4	N/A	N/A	*Note*	210,121
	222,513	100.0	802,158	100.0		

Note: Loss allowance on ECL is impracticable to allocate to the balance of invoiced and uninvoiced receivables in nature.

From the issuance of invoices, we generally grant our developer customers a credit term of 30 days. Certain of our customers settle accounts receivables in commercials bills, which typically mature in 12 months. Hence, such customers are generally associated with longer trade receivables turnover days than customers that settle accounts receivables in cash.

The table below sets forth an ageing analysis of our invoiced and uninvoiced trade receivables, net of allowance for doubtful debts, presented based on the revenue recognition date:

	As of 31 December			As of 31 March
	2015	2016	2017	2018
	(in thousands of RMB)			
Within one year	1,179,253	2,186,654	3,083,345	2,891,083
One to two years	171,142	144,181	235,237	284,407
Over two years	62,383	38,857	34,608	37,105
Total	1,412,778	2,369,692	3,353,190	3,212,595

The table below sets forth an ageing analysis of our gross amount before allowance for doubtful debts of invoiced accounts receivables, gross amount before allowance for doubtful debts of bills receivables and gross amount before allowance for doubtful debts of invoiced amounts due from related parties of a trade nature – accounts receivables presented based on the invoice date:

	As of 31 December			As of 31 March
	2015	2016	2017	2018
	(in thousands of RMB)			
Gross amount before allowance for doubtful debts of invoiced accounts receivables				
Within one year	203,275	504,396	642,893	554,878
One to two years	52,093	40,844	42,352	33,966
Over two years	72,475	86,436	92,502	94,589
Total	327,843	631,676	777,747	683,433
Gross amount before allowance for doubtful debts of bills receivables				
Within one year	227,141	369,852	743,220	651,812
Total	227,141	369,852	743,220	651,812
Gross amount before allowance for doubtful debts of invoiced amounts due from related parties of a trade nature – accounts receivables				
Within one year	–	–	50	220,167
One to two years	–	–	–	276
Over two years	6,470	500	500	2,070
Total	6,470	500	550	222,513

The following table sets forth the number of turnover days for our trade receivables (before loss allowance) for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March
	2015	2016	2017	2018
	(days)			
Total trade receivables turnover days(1)	219	201	258	364
Invoiced trade receivables turnover days(2)	76	71	99	149
Uninvoiced trade receivables turnover days	143	130	159	215

Note:

(1) Total trade receivables turnover days (before loss allowance), including both invoiced and uninvoiced balances, for a given period is the average of the opening and ending balances of trade receivables (before loss allowance), including accounts receivables, bills receivables and amounts due from related parties of a trade nature – accounts receivables, divided by revenue for that period and multiplied by 365 days for a one-year period or 90 days for a three-month period. The total trade receivables turnover days (before loss allowance) represent the average period from revenue recognition to subsequent cash settlement.

(2) Invoiced trade receivables turnover days for a given period is the average of the opening and ending balances of invoiced trade receivables (before loss allowance), including invoiced accounts receivables, invoiced bills receivables and amounts due from related parties of a trade nature – invoiced accounts receivables, divided by revenue for that period and multiplied by 365 days for a one-year period or 90 days for a three-month period. The invoiced trade receivable turnover days represent the average period from invoice day to subsequent settlement day.

(3) Uninvoiced trade receivables turnover days for a given period is the average of the opening and ending balances of uninvoiced trade receivables (before loss allowance), including uninvoiced accounts receivables, uninvoiced bills receivables and amounts due from related parties of a trade nature – uninvoiced amounts receivables, divided by revenue for that period and multiplied by 365 days for a one-year period or 90 days for a three-month period. The uninvoiced trade receivables turnover days represent the average period from revenue recognition to invoice day.

We have adopted a policy that before we accept a new client, we assess the potential client's credit quality and set a credit limit for such potential client. We regularly review the credit limit and credit term granted to clients. The majority of our accounts receivables that are neither past due nor impaired had no history of default on repayments.

In order to minimise credit risk, we will only deal with creditworthy entities and obtaining real estate properties as collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

We have also tasked a credit management committee to develop and continuously monitor the credit risk gradings of our customers. The credit management committee uses publicly available financial information and our own trading records to rate our customers.

When the receivables are aged over six months (based on revenue recognition date), we start to take initiatives to negotiate a settlement plan and timetable with the relevant customer.

Furthermore, we review the recoverable amount of each trade receivable on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, we consider that our credit risk is significantly reduced.

We recognise revenue when a performance obligation of sale of properties is satisfied and by the time that performance obligation is satisfied, our right to issue invoices to and payments from developer customers is established in accordance with the terms and conditions as stipulated in the sales agency agreements with the developer customers. However, as our major customers are the Top 100 Real Estate Developers with high creditability, out of commercial reason, we may allow these real estate developers to settle the agency fees at a later time, generally by stages or phases of sales of the projects. In addition, the projects of the Top 100

Real Estate Developers are typically large in scale. As a result, the settlement periods for these Top 100 Real Estate Developers are normally longer, which resulted in the significant amount of uninvoiced revenue and outstanding trade receivables at the end of each reporting period. However, according to our long established relationship with the developer customers and their historical settlement patterns, we expect the settlement normally will be made within one year after the date of revenue recognition.

However, even though the delay of invoicing and payment was out of commercial reasons, we monitor closely and assess the creditability of our developer customers. When the receivables are aged over six months (based on revenue recognition date), we start to take initiatives to negotiate a settlement plan and timetable with the relevant customer, and the average settlement period from the date of revenue recognition during the Track Record Period was within one year.

Total trade receivables turnover days (before loss allowance), including both invoiced and uninvoiced balances, decreased from 219 days in 2015 to 201 days in 2016, primarily due to our enhanced collection efforts. Total trade receivables turnover days (before loss allowance) increased from 201 days in 2016 to 258 days in 2017 primarily because the actual credit period we granted to many of our developer customers increased in 2017 as a result of commercial banks' tightened loan policies, which affected both real estate developers and property buyers. To a lesser extent, the increase in total trade receivables turnover days (before loss allowance) was also due to an increase in the proportion of accounts receivables that were settled in commercial bills. Total trade receivables turnover days (before loss allowance) further increased to 364 days for the three months ended 31 March 2018. Our total trade receivables turnover days (before loss allowance) are generally longer in the first quarter of each year as revenue is proportionally lower in this quarter due to the relatively low level of real estate activities during the winter and the Chinese New Year holiday period, as such the Directors expect that the total trade receivables turnover days (before loss allowance) in 2018 will be shorter than that for the three months ended 31 March 2018. As confirmed by Cushman & Wakefield, delayed billing is a common practice in providing real estate agency services to large real estate developers, which may request for longer billing and settlement period, because these developers have larger bargaining power. Such delayed billing is also partly due to strict mortgage loan policies of commercial banks in China, which were further tightened in 2017. Such delayed billing generally leads to a longer sales cycle and lower liquidity of developers. As a result, real estate service providers' settlement cycle with developers, especially developers with many large-scale real estate projects, is also negatively affected as a whole in the real estate service industry.

We recognise revenue under IFRS 15 when (or as) a performance obligation is satisfied, that is, when the "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Impairment on trade receivables may arise as a result of the deterioration of the financial position of certain developer customers, so that they may be unable to repay the amounts due to us in part or in full. We have applied the ECL model in accordance with the requirements under IFRS 9 and have made allowance on ECL on our trade receivables balances in profit or loss throughout the Track Record Period. We did not have any significant disputes with our developer customers throughout the Track Record Period.

Current portion of other receivables

Current portion of other receivables mainly include deposits paid to certain of our customers in connection with the performance of our contract obligations, lease prepayments and project advertising and consulting prepayments, rental deposit for office buildings with maturity date within one year, and others. Current portion of other receivables after loss allowance increased by 61.0% from RMB25.3 million as of 31 December 2015 to RMB40.7 million as of 31 December 2016 and further by 76.0% to RMB71.6 million as of 31 December 2017, primarily due to increases in deposits paid to our developer customers. Current portion of other receivables after loss allowance further increased to RMB88.0 million as of 31 March 2018, primarily due to an increase in prepayments related to office leases, renovation and conference services.

Restricted bank balance

Restricted bank balance as of 31 December 2015 represents guarantee deposits we placed in designated bank accounts for the performance of our real estate agency services in the primary market for certain projects. Restricted bank balances as of 31 December 2016 and 2017 and 31 March 2018 mainly represent property buyers' payments that are not yet transferred to the property sellers in connection with real estate transactions in the secondary market facilitated by certain Fangyou-branded stores. A local regulation in Hangzhou requires that a real estate brokerage deposit payments made by real estate property buyers in the secondary market into a restricted bank account before the transfer of property titles. Some of the Fangyou-branded stores file the real estate sales in the secondary market they facilitate with relevant government agencies under our name because they lack the key fobs necessary for making such filings. In Hangzhou, for this type of real estate transaction in the secondary market, we are required to hold the buyers' deposit payments in a restricted bank account under our name. We record these deposits under both restricted bank balance and receipt on behalf of property sellers. As of 31 December 2015, 2016 and 2017, restricted bank balance was RMB0.5 million, RMB63.6 million and RMB131.3 million, respectively. Such significant increases in our restricted bank balance were due to the launch and growth of our real estate brokerage network services business in Hangzhou. Restricted bank balance decreased to RMB82.7 million as of 31 March 2018 primarily due to the seasonably lower level of real estate activities in the first quarter of each year.

Accounts payables

Our accounts payables mainly represent consulting fee and advertising fee payables to certain suppliers that provide consulting and advertising services. As of 31 December 2015, 2016 and 2017, our accounts payables were RMB68.5 million, RMB109.6 million and RMB174.6 million, respectively. Such increases in our accounts payables were due to our overall business growth, which led to the increase in our consulting fee payables. Our accounts payables decreased to RMB119.5 million as of 31 March 2018 as we generally incur less service fees during the first quarter of each year.

The table below sets forth an ageing analysis of our accounts payables, presented based on the date of receiving the services as of the dates indicated:

	As of 31 December			As of 31 March
	2015	2016	2017	2018
	(in thousands of RMB)			
Within one year	64,311	108,703	173,242	118,047
One to two years	1,634	174	513	723
Over two years	2,539	737	806	723
Total	68,484	109,614	174,561	119,493

The following table sets forth the number of turnover days for our accounts payables for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March
	2015	2016	2017	2018
	(days)			
Accounts payables turnover days[1]	10	10	14	19

Note:

(1) Accounts payables turnover days for a given period is the average of the opening and ending balances of accounts payables divided by operating costs for the period and multiplied by 365 days for a one-year period and 90 days for a three-month period. See the subsection headed "Non-IFRS Measures – Operating Profit and Operating Profit Margin" above for further information on our operating costs.

Our accounts payables turnover days were relatively stable at 10 days in both 2015 and 2016. Our accounts payables turnover days increased to 14 days in 2017 primarily due to the growth of our real estate brokerage network services, as accounts payables for this segment, which primarily consist of commissions refunded to cooperating real estate brokerage firms, generally have longer turnover days than accounts payables for our real estate agency services in the primary market segment. Accounts payables turnover days further increased to 19 days for the three months ended 31 March 2018. Our accounts payables turnover days are generally longer in the first quarter of each year as operating costs are proportionally lower in this quarter due to the relatively low level of real estate activities during the winter and the Chinese New Year holiday period. The increase in accounts payables turnover days was also due to the further growth in our real estate brokerage network services.

Other payables

Our other payables mainly include other tax payables such as value-added tax ("**VAT**") payables, receipt on behalf of property sellers, contract liabilities, acquisition consideration payable and conditional investment fund received. Receipt on behalf of property sellers represents property buyers' payments that are not yet transferred to the property sellers in connection with our real estate brokerage network services. See the subsection headed

"Restricted bank balance" above for further detail. Contract liabilities represent subscription fees for our data services that are not yet recognised as of a specific date. Data subscription fees are generally paid upfront by our customers annually and are recognised on a straight-line basis over the one-year period. Acquisition consideration payable represents the consideration payable by our Group for the acquisition of the 100% equity interests of PRC Holdco. The amount was fully paid on 19 April 2018. Conditional investment fund received represents the proceeds received by our Company for the conditional issue of share capital to certain Pre-IPO Investors. The following table sets forth the breakdown of our other payables as of the dates indicated:

	As of 31 December			As of 31 March
	2015	2016	2017	2018
	(in thousands of RMB)			
Interest payable	808	690	622	731
VAT payables	18,487	124,638	120,945	63,371
Business tax payables	65,071	–	–	–
Other tax payables	11,847	19,366	19,778	22,003
Receipt on behalf of property sellers	–	62,823	130,963	82,181
Contract liabilities	20,683	23,485	33,113	29,367
Acquisition consideration payable	–	–	–	1,892,000
Accrued listing expense	–	–	–	21,487
Conditional investment fund received	–	–	1,253,850	–
Other payables	7,250	22,516	45,115	51,089
Total	124,146	253,518	1,604,386	2,162,229

Our other payables increased by 104.2% from RMB124.1 million as of 31 December 2015 to RMB253.5 million as of 31 December 2016 primarily due to an increase in VAT payables of RMB106.2 million as a result of the transition of business tax to VAT in 2016 as required by Chinese government and an increase in receipt on behalf of property sellers of RMB62.8 million. Our other payables increased by 532.8% from RMB253.5 million as of 31 December 2016 to RMB1,604.4 million as of 31 December 2017 primarily due to an increase in conditional investment fund received of RMB1,253.9 million and an increase in receipt on behalf of property sellers of RMB68.1 million. The significant increase in our receipt on behalf of property sellers during the Track Record Period was due to the launch and growth of our real estate brokerage network services business in Hangzhou. Conditional investment fund received as of 31 December 2017 was in connection with conditional issue of share capital to Captain Valley (Cayman) Limited, Jovial Idea Developments Limited and Heyday Surge Limited on 1 December 2017. Our other payables further increased to RMB2,162.2 million as of 31 March 2018 primarily due to the acquisition consideration payable of RMB1,892.0 million as of 31 March 2018, partially offset by the conversion of previously outstanding conditional investment fund received to share premium before 31 March 2018.

DEFERRED TAX ASSETS

We recognise deferred tax assets for all deductible temporary differences (including accrued welfare and commission, allowance for bad and doubtful debts and others) and unutilised tax losses to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised, at the tax rates that are expected to apply in the period in which the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. As of 31 December 2015, 2016 and 2017 and 31 March 2018, we had deferred tax assets of RMB208.3 million, RMB350.2 million, RMB504.2 million and RMB470.8 million, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operations, investments from Shareholders and external borrowings. We had cash and cash equivalents of RMB465.8 million, RMB974.9 million, RMB1,791.3 million and RMB3,182.2 million as of 31 December 2015, 2016 and 2017 and 31 March 2018, respectively. We generally deposit our excess cash in interest bearing bank accounts and current accounts.

During the Track Record Period, our principal uses of cash have been for the funding of required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in our service fee income or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity.

Cash Flows

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

	For the year ended 31 December			For the three months ended 31 March	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Net cash from/(used in) operating activities	295,166	409,669	(275,018)	111,433	(101,961)
Net cash (used in)/from investing activities...	(294,875)	134,059	4,572	(4,420)	(1,281)
Net cash (used in)/from financing activities	(111,277)	(34,504)	1,103,441	49,960	1,539,898
Net (decrease)/increase in cash and cash equivalents	(110,986)	509,224	832,995	156,973	1,436,656
Cash and cash equivalents at beginning of the year	576,766	465,756	974,946	974,946	1,791,290
Effect of exchange rate change	(24)	(34)	(16,651)	3	(45,781)
Cash and cash equivalents at the end of the year	465,756	974,946	1,791,290	1,131,922	3,182,165

Cash flows from/(used in) operating activities

We generate cash from operating activities primarily from the provision of real estate services to our customers. Our cash flows from operating activities can be significantly affected by factors such as the timing of receipt of trade receivables and the timing of tax payments.

Net cash used in operating activities amounted to RMB102.0 million in the three months ended 31 March 2018, primarily due to a net increase in working capital of RMB301.3 million and income tax paid of RMB67.4 million, partially offset by profit before taxation of RMB219.4 million and adjustments for certain non-cash items, primarily including the additions of exchange different of RMB45.8 million and impairment loss on financial assets measured at amortised cost of RMB12.1 million and the subtraction of change in fair value of financial liabilities measured at FVTPL of RMB23.9 million. The net increase in working capital was primarily attributable to a decrease in accrued payroll and welfare expenses of RMB355.1 million and a decrease in accounts payables of RMB55.1 million, partially offset by a decrease in accounts receivables and bills receivables of RMB125.9 million. Accrued payroll and welfare expenses decreased significantly because we made performance-based payments for the year 2017 to our employees before the Chinese New Year in February 2018, which is the primary reason for our net cash used in operating activities for the three months ended 31 March 2018.

Net cash used in operating activities amounted to RMB275.0 million in 2017, primarily due to income tax paid of RMB522.3 million and a net increase in working capital of RMB891.3 million. We had a significant one-off increase in income tax payment in 2017 compared with previous years because we changed our tax filing policy in 2017. See the subsection headed “Key Components of Our Results of Operations – Taxation”. The net increase in working capital was primarily attributable to an increase in accounts receivables and bills receivables of RMB1,141.1 million, partially offset by an increase in accrued payoff and welfare expenses of RMB200.1 million. The increases in accounts receivables and bills receivables as well as accrued payoff and welfare expenses were primarily due to the growth of our business. The increase in accounts receivables was also due to an increase in our average credit terms in 2017. See the subsection headed “Net Current Assets – Discussion of Key Balance Sheet Items – Trade receivables” above. The above cash outflows were partially offset by profit before taxation of RMB971.3 million and adjustments for certain non-cash items, primarily including impairment loss on financial assets measured at amortised cost of RMB119.9 million, depreciation of property and equipment of RMB21.9 million and finance costs of RMB21.7 million.

Net cash generated from operating activities in 2016 was RMB409.7 million, as compared with profit before taxation of RMB788.8 million for the same period. The difference between our net cash generated from operating activities and our profit before taxation was mainly due to a net increase in working capital of RMB455.1 million and income tax paid of RMB92.7 million, partially offset by adjustments for certain non-cash items, primarily including impairment loss on financial assets measured at amortised cost of RMB104.0 million, finance costs of RMB29.8 million and depreciation of property and equipment of RMB18.2 million. The net increase in working capital was primarily attributable to an increase in accounts receivables and bills receivables of RMB1,013.1 million, partially offset by an increase in accrued payroll and welfare expenses of RMB424.8 million. The increases in accounts receivables and bills receivables as well as accrued payroll and welfare expenses were primarily due to the growth of our business.

Net cash generated from operating activities in 2015 was RMB295.2 million, as compared with profit before taxation of RMB289.2 million. The difference between our net cash generated from operating activities and our profit before taxation was mainly due to a net increase in working capital of RMB100.5 million and income tax paid of RMB33.5 million, partially offset by adjustments for certain non-cash items, primarily including impairment loss on financial assets measured at amortised cost of RMB63.4 million, finance costs of RMB26.4 million, equity-settled share-based payment expenses of RMB18.0 million and depreciation of property and equipment of RMB17.4 million. The net increase in working capital was primarily attributable to an increase in accounts receivables and bills receivables of RMB550.3 million, partially offset by an increase in accrued payroll and welfare expenses of RMB209.4 million, and a decrease in other non-current assets of RMB204.3 million. The increase in accounts receivables and bills receivables and the increase in accrued payroll and welfare expenses were primarily due to the growth of our business. The decrease in other non-current assets was primarily due to the return of deposits from certain of our customers upon satisfactory performance of our contract liabilities.

Cash flows (used in)/from investing activities

Net cash used in investing activities in the three months ended 31 March 2018 was RMB1.3 million, primarily attributable to advance to related parties of RMB12.7 million, partially offset by repayments from related parties of RMB10.9 million.

Net cash generated from investing activities was RMB4.6 million in 2017, primarily attributable to repayments from related parties of RMB40.2 million and proceeds from disposal of investment properties of RMB6.7 million, partially offset by purchase of convertible note measured at fair value through profit or loss of RMB20.0 million and purchase of property and equipment of RMB18.5 million.

Net cash generated from investing activities in 2016 was RMB134.1 million, primarily attributable to repayments from related parties of RMB225.1 million, partially offset by advance to related parties of RMB67.0 million and purchase of property and equipment of RMB27.1 million.

Net cash used in investing activities in 2015 was RMB294.9 million, primarily attributable to advance to related parties of RMB1,402.9 million, partially offset by repayments from related parties of RMB1,089.9 million.

Cash flows (used in)/from financing activities

Net cash generated from financing activities in the three months ended 31 March 2018 was RMB1,539.9 million, primarily attributable to capital injection of RMB8,357.0 million by CRE Corp, one of our Controlling Shareholders, partially offset by consideration paid for the acquisition of subsidiaries under common control of RMB6,908.0 million in connection with our acquisition of PRC Holdco.

Net cash generated from financing activities was RMB1,103.4 million in 2017, primarily attributable to conditional capital injection of RMB1,253.9 million and advance from related parties of RMB1,040.2 million, partially offset by repayment to related parties of RMB1,164.0 million.

Net cash used in financing activities in 2016 was RMB34.5 million, primarily attributable to repayment to related parties of RMB1,458.4 million and consideration paid for the acquisition of Tianjin E-House Jinyue Real Estate Brokerage Co., Ltd. of RMB153.6 million, partially offset by advance from related parties of RMB1,681.0 million.

Net cash used in financing activities in 2015 was RMB111.3 million, primarily attributable to dividends paid of RMB600.0 million and repayment to related parties of RMB379.8 million, partially offset by advance from related parties of RMB620.7 million and a net increase in bank borrowings of RMB230.0 million.

Working Capital

We intend to finance our future working capital requirements with cash generated from our operations, external borrowings, the net proceeds from the Global Offering and other funds raised from the capital markets from time to time. Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, our business expansion plan and hiring qualified employees for our business operations.

Based on our available cash balance, the anticipated cash flow from operations, available facilities and the anticipated net proceeds from the Global Offering, our Directors are of the opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 months from the date of this prospectus. Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Joint Sponsors concur with the Directors' view.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period were primarily related to purchases of property, equipment, and intangible assets and capitalised prepayment. Leasehold improvements, mainly including capitalised decoration and maintenance costs, account for the majority of property and equipment purchases. The following table sets forth the breakdown of our capital expenditures for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Purchase of and deposits placed for property and equipment	6,468	27,106	18,462	7,667	1,341
Purchase of intangible assets	299	21	241	–	–
Total	6,767	27,127	18,703	7,667	1,341

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to purchases of real properties and other fixed assets and decoration of such properties. The following table sets forth the breakdown of our capital commitments as of the dates indicated:

	As of 31 December			As of 31 March
	2015	2016	2017	2018
	(in thousands of RMB)			
Contracted but not provided for:				
Property and equipment	856	723	1,300	1,083

Operating Lease Commitments

During the Track Record Period, we leased a number of buildings under operating leases. Operating lease payments represent rentals payable by our Group for certain of our office premises and staff quarters. Leases for buildings were negotiated for a term ranging from six months to ten years. The table below sets forth our future minimum lease payments payable under non-cancellable operating leases as of the dates indicated:

	As of 31 December			As of 31 March
	2015	2016	2017	2018
	(in thousands of RMB)			
Within one year	60,401	39,436	61,656	60,644
In the second to fifth year inclusive	69,569	66,444	91,093	86,047
Over five years	17,741	11,981	7,577	6,788
Total	147,711	117,861	160,326	153,479

INDEBTEDNESS

Our indebtedness consists of short-term and long-term borrowings from commercial banks and amount due to related parties of non-trade nature. As of 31 December 2015, 2016 and 2017 and 31 March 2018, our total indebtedness amounted to RMB762.7 million, RMB771.7 million, RMB707.9 million, and RMB805.0 million. As of 31 May 2018, the latest practicable date for the purpose of the indebtedness statement, we had total indebtedness of RMB352.9 million, consisting of bank borrowings of RMB350.0 million and unsecured and unguaranteed amount due to a related party of non-trade nature of RMB2.9 million which is repayable on demand.

As of 31 December 2015, 2016 and 2017 and 31 March 2018, and 31 May 2018, being the latest practicable date for the purpose of indebtedness statement, our bank borrowings were as follows:

	As of 31 December			As of 31 March	As of 31 May
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
Secured and unguaranteed	350,000	290,000	–	–	–
Unsecured and guaranteed	100,000	100,000	450,000	550,000	350,000
Total	450,000	390,000	450,000	550,000	350,000
Amounts repayable:					
Within one year	160,000	390,000	450,000	550,000	350,000
Within a period of more than one year but not exceeding two years	290,000	–	–	–	–
Total	450,000	390,000	450,000	550,000	350,000

We primarily borrow loans from commercial banks to supplement our working capital and finance our expenditures. Our bank loans as of 31 December 2015, 2016 and 2017, 31 March 2018, and 31 May 2018, were all denominated in Renminbi. As of 31 May 2018, we had no unutilised credit facilities obtained from any banks or financial institutions.

The table below sets forth the effective interest rates (per annum) of our secured bank borrowings as of the dates indicated:

	As of 31 December			As of 31 March	As of 31 May
	2015	2016	2017	2018	2018
Effective interest rate:					
Fixed-rate borrowings	5.06%~ 6.04%	4.84%~ 6.04%	4.82%~ 6.04%	4.35%~ 5.22%	4.35%~ 5.00%

During the Track Record Period and as of 31 May 2018, all of our bank loans were either secured over certain properties of Shanghai Wanju Investment Partnership (Limited Partnership), the general partner of which is a subsidiary of one of our Controlling Shareholders, E-House (China) Holdings or guaranteed by E-House Management, a subsidiary of one of our Controlling Shareholders, E-House (China) Holdings. All guarantees and pledges provided by our Group's related parties will be released before listing.

Except as aforesaid and apart from intra-group liabilities, as of 31 May 2018, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges hire purchase commitments, or guarantees. Our Directors confirm that there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

CONTINGENT LIABILITIES

Our contingent liabilities during the Track Record Period arose from financial guarantees we provided to commercial banks in 2017 and the three months ended 31 March 2018 for certain individual property buyers in the secondary real estate market in Wuhan. Wuhan Fangyou Century Real Estate Trading Service Co., Ltd. ("**Wuhan Fangyou**"), one of our subsidiaries providing real estate brokerage network services, entered into arrangements with several commercial banks in Wuhan to provide such transitional guarantees for property buyers.

In Wuhan, due to the specific registration procedures, the competent authorities normally require certain processing time after transfer of title (up to one to three months) before they issue the certificate of third party right in respect of the mortgage over the property. As such, in Wuhan, commercial banks providing mortgage loans generally require transitional guarantee from third parties in respect of the loans of property buyers. According to Cushman & Wakefield, it is a common industry practice for brokerage firms or third parties whose creditworthiness is acceptable to the relevant lending banks to provide transitional guarantees for property buyers in the Wuhan secondary real estate market so as to facilitate the transaction process. For any mortgage loan guaranteed by Wuhan Fangyou, the guarantee will be released upon receipt by the bank of the certificate of third party right in respect of the mortgage over the relevant property from the property buyer when it is issued by the relevant authorities, which in Wuhan would typically take up to one to three months. Generally, the borrower is able to provide to the mortgagee bank the certificate of third party right within one to three months from the transfer of title of the property. Until then, the mortgage loan proceeds are placed in a restricted account of the mortgagee bank and cannot be withdrawn by the borrower or the property seller. Some banks require Wuhan Fangyou to make a deposit ranging from RMB100,000 to RMB300,000. If the borrower defaults on payment of his or her mortgage loan before the guarantee is released, the mortgagee bank may deduct the payment due from the deposit and require that Wuhan Fangyou immediately repay the amount due from the borrower pursuant to the guarantee. We require the borrower to provide an undertaking to us under which we may claim from the borrower any amount which we pay to the mortgagee banks due to the borrower's default. In line with industry practice, we do not conduct any independent credit checks on the borrowers and rely on the credit evaluations conducted by the mortgagee banks. We do not charge the borrowers for the guarantees provided, and therefore we did not derive any revenue from such guarantees during the Track Record Period. However, we believe that, by providing transitional guarantees for property buyers who are customers of Fangyou-branded brokerage stores, we help these brokerage stores more effectively compete with national brokerage chains in the Wuhan secondary real estate market. Due to their limited business scale and assets, many small and medium-sized real estate brokerage firms do not meet the standards set by the relevant lending banks for the provision of transitional guarantees. These brokerage firms often engage third parties, such as guarantee companies, to provide such guarantees for their customers, which generally requires the payment of service fees. We consider Wuhan an important market for us to expand our real estate brokerage network services. Through transitional guarantees for property buyers and other empowerment services free of charge, we aim to attract more small and medium-sized brokerage firms to join our Fangyou network. Therefore, so long as the provision of transitional guarantees remains a common industry practice, we plan to continue to provide such guarantees for property buyers who are customers of Fangyou-branded brokerage stores in Wuhan.

As of 31 December 2015, 2016, 2017 and 31 March 2018, Wuhan Fangyou provided financial guarantees to banks in a total amount of nil, nil, RMB85.3 million and RMB52.2 million, respectively. Those guarantees not released as of 31 December 2017 had been released in full by the end of March 2018. As of 31 May 2018, the latest practicable date for the purpose of contingent liabilities, our contingent liabilities in connection with financial guarantees were RMB53.3 million. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any default on mortgage guarantees by property buyers that had a material adverse effect on our financial condition and results of operations. After taking into account (i) the nature of the underlying loans, and (ii) other relevant facts and circumstances, our Directors are of the view that default probabilities of those loans are relatively low, and therefore no provisions have been made.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since 31 March 2018.

FINANCIAL RATIOS

	As of/for the year ended 31 December			As of/for the three months ended 31 March	
	2015	2016	2017	2017	2018
				(unaudited)	
Operating profit margin(1)	11.1%	19.7%	20.7%	21.0%	26.7%
Net profit margin(2)	6.5%	14.3%	16.5%	15.8%	16.4%
Return on assets(3)	5.2%	16.3%	14.4%	12.8%	8.8%
Return on equity(4)	11.8%	48.4%	42.2%	35.2%	23.2%
Current ratio(5)	151.0%	132.2%	136.5%	142.4%	156.3%
Gearing ratio(6)	49.9%	26.7%	20.8%	30.1%	17.7%

Notes:

(1) Operating profit margin equals our operating profit for the year/period divided by revenue for the year/period. For definition of operating profit, please see the subsection headed "Non-IFRS Measures – Operating Profit and Operating Profit Margin."

(2) Net profit margin equals our profit and total comprehensive income for the year/period divided by revenue for the year/period.

(3) Return on assets for the year ended 31 December 2015, 2016 and 2017 equals profit and total comprehensive income for the year divided by the average of the total assets at the beginning of the year and the total assets as of the end of the year. Return on assets for the three months ended 31 March 2017 and 31 March 2018 equals profit and total comprehensive income for the period multiplied by four, divided by the average of the total assets at the beginning of the period and the total assets as of the end of the year.

(4) Return on equity for the year ended 31 December 2015, 2016 and 2017 equals profit and total comprehensive income for the year divided by the average of the total equity at the beginning of the year and the total equity as of the end of the year. Return on equity for the three months ended 31 March 2017 and 31 March 2018 equals profit and total comprehensive income for the period multiplied by four, divided by the average of the total equity at the beginning of the period and the total equity as of the end of the period.

(5) Current ratio equals our current assets divided by current liabilities as of the end of the year/period.

(6) Gearing ratio equals total debt divided by total equity as of the end of the year/period. Total debt consists of all interest-bearing bank loans.

Analysis of Key Financial Ratios

Operating profit margin and net profit margin

Our operating profit margin increased from 11.1% in 2015 to 19.7% in 2016, and further to 20.7% in 2017. Our net profit margin increased from 6.5% in 2015 to 14.3% in 2016, and further to 16.5% in 2017. The increases in our net operating profit margin and net profit margin during the Track Record Period was primarily due to our improved operational efficiency and increasing economies of scale, which resulted in decreases in staff costs and most other expenses as percentages of our revenue. Such increases from 2016 to 2017 were partially offset by an increase in advertising and promotion expenses as a percentage of revenue, as we provided more marketing and promotion services for our developer customers and increased marketing activities to promote our “Fangyou” brand in 2017.

Our operating profit margin increased from 21.0% for the three months ended 31 March 2017 to 26.7% for the three months ended 31 March 2018. Our net profit margin increased from 15.8% for the three months ended 31 March 2017 to 16.4% for the three months ended 31 March 2018. The increases was primarily due to a further improvement in our operational efficiency.

Return on assets and return on equity

Our return on assets increased from 5.2% in 2015 to 16.3% in 2016, and our return on equity increased from 11.8% in 2015 to 48.4% in 2016, primarily due to a significant increase in our profit and total comprehensive income, which in turn was primarily due to the growth in revenue from our real estate agency services in the primary market as well as our improved operational efficiency. The lower return on assets and return on equity in 2015 were also due to the higher opening balances of total assets and total equity in 2015, which was before a distribution of dividends of RMB600.0 million and a deemed distribution of RMB1,280.6 million to then shareholders of E-House Management and Beijing Jinyue upon completion of certain internal corporate reorganisation of E-House (China) Holdings.

Our return on assets decreased from 16.3% in 2016 to 14.4% in 2017 and from 12.8% in the three months ended 31 March 2017 to 8.8% in the three months ended 31 March 2018. Our return on equity decreased from 48.4% in 2016 to 42.2% in 2017 and from 35.2% in the three months ended 31 March 2017 to 23.2% in the three months ended 31 March 2018. These decreases were primarily due to the significant increases in our total assets and total equity. The increase in our total assets was primarily due to investments from new Shareholders in 2017 and the three months ended 31 March 2018, and the increase in our total equity was primarily due to our increasing profit and retained earnings.

Current ratio

Our current ratio decreased from 151.0% as of 31 December 2015 to 132.2% as of 31 December 2016 primarily due to because our current liabilities, primarily including accrued payroll and welfare expenses, tax payables and amounts due to related parties, increased by a greater percentage than our current assets. In terms of absolute amounts, however, our current assets increased faster than our current liabilities from 31 December 2015 to 31 December 2016. Our current ratio remained relatively stable at 136.5% as of 31 December 2017, compared with 132.2% as of 31 December 2016. Our current ratio increased to 156.3% as of 31 March 2018 primarily due to the increase in cash and cash equivalents as a result of capital injection by CRE Corp, one of our Controlling Shareholders.

Gearing ratio

Our gearing ratio decreased from 49.9% as of 31 December 2015 to 26.7% as of 31 December 2016, and further to 20.8% as of 31 December 2017 and 17.7% as of 31 March 2018 primarily due to the increases in our total equity resulting from our increasing profit and retained earnings.

LISTING EXPENSES

We expect to incur a total of RMB189.3 million of listing expenses (assuming an Offer Price of HK$16.03, being the mid-point of the indicative Offer Price Range between HK$14.38 and HK$17.68, and assuming that the Over-allotment Option is not exercised) in relation to the Global Offering, of which RMB47.0 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 December 2018 and RMB142.3 million is directly attributable to the issue of the Shares to the public and to be capitalised. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. We do not expect these listing expenses to have a material impact on our results of operations in 2018.

RELATED PARTY TRANSACTIONS

We have recurring service transactions and non-trade transactions with our related parties. Amounts due from related parties of a non-trade nature and amounts due to related parties of a non-trade nature during the Track Record Period primarily represent advances between our Group and our related parties. We expect that all such advances will be settled in full prior to the Listing. During the Track Record Period, our related parties have also provided guarantees and pledges of assets for our bank borrowings. We expect that all such guarantees and pledges will be released before the Listing. See the subsection headed "Indebtedness" above. For further details about our related party transactions, please refer to Notes 21 and 37 to the Accountants' Report in Appendix I to this document.

Country Garden, Evergrande and Vanke, each through its subsidiary, became our Shareholders on 1 December 2017. However, because the subscription of our Company's shares by these Shareholders was subject to the completion of the reorganisation of our Controlling Shareholders, which occurred on 5 March 2018, transactions between Country Garden, Evergrande and Vanke, on the one hand, and our Group, on the other hand, during the Track Record Period were not treated as related party transactions. Since 5 March 2018, our Shareholders have included subsidiaries of Country Garden, Evergrande and Vanke. As these related parties are also our customers and regularly enter into service transactions with us, the volume of our related party transactions has become significantly larger after 5 March 2018 compared with prior periods.

Our Directors believe that each of the related party transactions set out in the Accountants' Report in Appendix I to this document was conducted in the ordinary course of business on an arm's length basis. Our Directors are of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of risks, including market risk, credit risk and liquidity risk. We set out below the policies on how to mitigate these risks. We regularly monitor our exposure to these risks to ensure appropriate measures are implemented on a timely and effective manner. As of the Latest Practicable Date, we did not hedge or consider it was necessary to hedge any of these risks.

Market Risk

Currency risk

Certain of our cash and cash equivalent, amounts due from (to) related parties, and conditional investment fund received are denominated in foreign currency and are exposed to foreign currency risk. We currently do not have a foreign currency hedging policy as our Directors consider that our foreign exchange risk exposure is minimal. We will consider hedging significant foreign currency exposure if such need arises.

Interest rate risk

We are exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. See Note 25 to the Accountants' Report in Appendix I to this document for more details. We currently do not have any interest rate hedging policy. We monitor our exposure to interest rate risk on on-going basis and will consider hedging interest rate risk if such need arises. We are also exposed to cash flow interest rate risk in relation to floating-rate bank balances. Our exposures to interest rates on financial liabilities are detailed in Note 30(b) to the Accountants' Report in Appendix I to this document.

A sensitivity analysis on our interest rate risk has been included in Note 30(b) to the Accountants' Report in Appendix I to this document.

Credit Risk

We are exposed to credit risk in relation to our accounts receivables, bills receivables, other receivables, other non-current assets, amounts due from related parties (except for related parties under common control of E-House (China) Holdings), restricted bank balances, and cash and cash equivalents which represents our maximum exposure to credit risk in relation to financial assets.

In addition, we are exposed to credit risk in relation to financial guarantees given to banks as detailed in Note 35. Our maximum exposure with respect to such financial guarantees is the maximum amount we may have to pay if the underlying loans default. No loss allowance for such financial guarantees has been recognised in the consolidated statements of financial position as of 31 December 2015, 2016, 2017 and 31 March 2018.

As of 31 December 2015, 2016, 2017 and 31 March 2018, with reference to the historical settlement patterns from these related parties under common control of E-House (China) Holdings, we have assessed that the expected credit loss for amounts due from related parties under common control of E-House (China) Holdings is insignificant. Thus, no loss allowance provision for amounts due from related parties under common control of E-House (China) Holdings was recognised during the Track Record Period.

We expect that there is no significant credit risk associated with restricted bank balances and cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Our management does not expect that there will be any significant losses from non-performance by these counterparties.

We have concentration of credit risk as 30.57%, 34.93%, 49.00% and 47.20% of the total gross accounts receivables, bills receivables and amounts due from related parties of trade nature – accounts receivables (except for related parties under common control of E-House (China) Holdings) was due from our largest customer as at 31 December 2015, 2016, 2017 and 31 March 2018, respectively, and 36.37%, 40.89%, 55.34% and 55.05% of the total gross accounts receivables, bills receivables and amounts due from related parties of trade nature (except for related parties under common control of E-House (China) Holdings) was due from the five largest customers as at 31 December 2015, 2016, 2017 and 31 March 2018, respectively.

Liquidity Risk

We monitor our liquidity risk and maintain a level of cash and cash equivalents that we think adequate for our operations and mitigation of fluctuations in cash flows. We also monitor the utilisation of our bank borrowings and ensure compliance with loan covenants.

For further detail about our liquidity risk, please refer to Note 30(b) to the Accountants' Report in Appendix I to this document.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of 31 March 2018.

DIVIDEND

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries incorporated in the PRC. Our subsidiaries in the PRC must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, PRC Holdco must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

Subject to applicable laws, we currently do not have any specific dividend policy. Any amount of dividends we may declare and pay will be at the discretion of our board of directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our board of directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our board of directors. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our board of directors.

During the Track Record Period, PRC Holdco paid dividends of RMB600.0 million in 2015 to CRE BVI.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 March 2018 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since 31 March 2018 and up to the date of this prospectus which could materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix I to this document.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group attributable to owners of the Company has been prepared in accordance with Rule 4.29 of the Listing Rules and is for the purpose of illustrating the effect of the Global Offering as if it had taken place on 31 March 2018.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group had the Global Offering been completed on 31 March 2018 or at any future dates. It is prepared based on the audited consolidated net tangible assets of our Group attributable to the owners of the Company as of 31 March 2018 as shown in the Accountants' Report of the Group as set out in Appendix I to this document, and adjusted as described below.

	Audited consolidated net tangible assets of our Group attributable to the owners of the Company as of 31 March 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as of 31 March 2018	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company as of 31 March 2018 per share	
	RMB'000	RMB'000	RMB'000	RMB	HK$
	(Note 1)	(Note 2)		(Note 3)	(Note 4)
Based on Offer Price of HK$14.38 per Offer Share	2,981,469	3,570,283	6,551,752	4.46	5.57
Based on Offer Price of HK$17.68 per Offer Share	2,981,469	4,398,345	7,379,814	5.03	6.28

Notes:

1. The consolidated net tangible assets of the Group attributable to owners of the Company as of 31 March 2018 is arrived at after deducting the amount of goodwill attributable to owners of the Company of RMB5,109,000 and the amount of intangible assets attributable to owners of the Company of RMB4,488,000 from the audited consolidated net assets of RMB2,986,268,000 attributable to the owners of the Company as at 31 March 2018 as extracted from the Accountants' Report set out in Appendix I to this document.

2. The estimated net proceeds from the Global Offering are based on 322,836,000 new Shares to be issued under the Global Offering and the Offer Price of HK$14.38 and HK$17.68 per new Share, being the lower and higher end of the Offer Price Range, after deduction of the estimated underwriting fees and other related expenses (and without deducting any additional discretionary incentive fees) not yet recognised in profit or loss up to 31 March 2018. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Post-IPO Share Option Scheme and any Shares which may be issued or repurchased by the Company pursuant to the "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" detailed under the section headed "Share Capital" in this document, as applicable.

   For the purpose of this unaudited pro forma statement, the estimated net proceeds is converted from Hong Kong dollars into RMB at the rate of HK$1.2480 to RMB1.00 on 31 March 2018. No representation is made that Hong Kong dollar amounts have been, could have been or could be converted to RMB, or vice versa, at that rate or at any other rates or at all.

3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as of 31 March 2018 is calculated based on 1,467,436,000 Shares in issue immediately following the completion of the Global Offering after taking into account that the 50% equity interest of PRC Holdco was held by non-controlling shareholders of the Company. It does not take into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or the options granted under the Pre-IPO Share Option Scheme or the options which may be granted under the Post-IPO Share Option Scheme and any Shares which may be issued or repurchased by the Company pursuant to the "General Mandate to Issue Shares" or "General Mandate to Repurchase Shares" detailed under the section headed "Share Capital" in this document, as applicable.

4. The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share as of 31 March 2018 is converted from RMB into Hong Kong dollars at the rate of RMB1.00 to HK$1.2480 on 31 March 2018. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at other rates or at all.

5. No adjustments have been made to the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.