
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2018

OR

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

For the transition period from _____ to _____

OR

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

Date of event requiring this shell company report: _____

Commission file number: 001-34862

Fang Holdings Limited

(Exact name of registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

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

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on Which Registered</u>
American depositary shares, five American depositary shares representing one Class A ordinary share	SFUN	The New York Stock Exchange
Class A ordinary shares, with a par value of HK\$1.00 each*		The New York Stock Exchange

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

Securities registered or to be registered pursuant to Section 12(g) of the Act: None
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

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

Class A ordinary shares, par value HK\$1.00 each	65,004,587
Class B ordinary shares, par value HK\$1.00 each	24,336,650

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards † provided pursuant to Section 13(a) of the Exchange Act.

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

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

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

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

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

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

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

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INTRODUCTION

Except where the context otherwise requires and for purposes of this annual report on Form 20-F only:

- “we,” “us,” “our company,” “our,” “SouFun” or “Fang” refers to Fang Holdings Limited (formerly known as SouFun.com Limited and SouFun Holdings Limited), its subsidiaries, and, in the context of describing our operations and consolidated financial information, our consolidated controlled entities in China (also referred to as the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries in our consolidated financial statements and related notes included elsewhere in this annual report);
- “2018 Notes” refers to our \$400 million aggregate principal amount of convertible senior notes due 2018;
- “2022 Notes” refers to our \$300 million aggregate principal amount of convertible notes due 2022;
- “ADSs” refers to our American depositary shares, with five ADSs representing one Class A ordinary share, and “ADRs” refers to American depositary receipts, which, if issued, evidence our ADSs;
- “CIH” refers to China Index Holdings Limited (formerly known as Selovo Investments Limited), our subsidiary, and its subsidiaries and variable interest entity, Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd., or the proposed spun-off business identified in this annual report, as the context indicates;
- “CSRC” refers to the China Securities Regulatory Commission;
- “China” or “PRC” or “Chinese” refers to the People’s Republic of China, excluding, for the purpose of this annual report only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- “Exchange Act” refers to the Securities Exchange Act of 1934, as amended;
- “Hong Kong dollars” or “HK\$” refers to the legal currency of the Hong Kong Special Administrative Region;
- “MIIT” refers to the Ministry of Industry and Information Technology and its compete local branches;
- “MOFCOM” refers to the Ministry of Commerce and its competent local branches;
- “MOHURD” refers to the Ministry of Housing and Urban-Rural Development and its competent local branches;
- “notes” refers to 2018 Notes and 2022 Notes, collectively;

- “PBOC” refers to People’s Bank of China;
- “RMB” or “Renminbi” refers to the legal currency of China;
- “SAFE” refers to the State Administration of Foreign Exchange and its competent local branches;
- “SAIC” refers to the State Administration for Industry and Commerce and its competent local branches;
- “SAT” refers to the State Administration of Taxation and its competent local branches;
- “SEC” refers to the U.S. Securities and Exchange Commission;
- “Securities Act” refers to the Securities Act of 1933, as amended;
- “shares” or “ordinary shares” refers to our ordinary shares, including both Class A ordinary shares and Class B ordinary shares;
- “sq.m.” refers to square meter(s); and
- “U.S. dollars,” “US\$” or “\$” refers to the legal currency of the United States of America.

This annual report includes our audited consolidated statements of comprehensive income (loss) for 2016, 2017 and 2018, our audited consolidated balance sheets as of December 31, 2017 and 2018, our audited consolidated statements of shareholders’ equity and our audited consolidated statements of cash flows for 2016, 2017 and 2018.

FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These forward-looking statements are made under the “safe harbor” provisions of the U.S. Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as “may,” “will,” “expect,” “is expected to,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “are likely to” or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to:

- our anticipated business activities and the expected impact of these actions on our results of operations and financial condition;
- expected changes in our revenues and certain cost or expense items;
- our ability to attract clients and further enhance our brand recognition;
- trends and competition in the real estate, home furnishings and improvement sites and online advertising industries;
- PRC laws, regulations and policies relating to the real estate, home furnishings and improvement sites and advertising and financing industries and the use of the Internet to conduct these activities; and
- the separation and distribution of CIH from us.

You should read this annual report and the documents that we refer to in this annual report thoroughly and with the understanding that our actual future results may be materially different from and worse than what we expect. We qualify all of our forward-looking statements by these cautionary statements. Other sections of this annual report, including the section titled “Risk Factors” beginning on page 7, include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Except as required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

MARKET AND INDUSTRY DATA

Market data and certain industry forecasts used in this annual report were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and we make no representation as to the accuracy of such information.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. Selected Financial Data

We have derived our selected consolidated statement of comprehensive income (loss) data (except for ADS information) for 2016, 2017 and 2018 and our selected consolidated balance sheet data as of December 31, 2017 and 2018, from our audited consolidated financial statements included in this annual report. Our selected statement of comprehensive income (loss) data (except for ADS information) for 2014 and 2015 and our selected consolidated balance sheet data as of December 31, 2014, 2015 and 2016, have been derived from our audited consolidated financial statements not included in this annual report. Our financial statements have been prepared in accordance with U.S. GAAP.

You should read the following information in conjunction with our audited consolidated financial statements and related notes and “Item 5. Operating and Financial Review and Prospects” in this annual report. Our historical operating results presented below are not necessarily indicative of the results to be expected for any future fiscal period.

	Year Ended December 31,				
	2014	2015	2016	2017	2018
	(U.S. dollars in thousands, except share data and ADS data)				
Consolidated statement of comprehensive income (loss) data:					
Revenues:					
E-commerce services	244,344	474,810	577,684	87,809	15,384
Marketing services	294,484	249,862	165,437	149,267	119,680
Listing services	145,654	107,922	118,109	165,374	113,534
Financial services	3,235	29,582	29,602	12,055	18,060
Value-added services	15,165	21,373	25,559	29,791	36,358
Total revenues	702,882	883,549	916,391	444,296	303,016
Cost of revenue:					
Cost of services	(145,739)	(555,389)	(687,184)	(174,599)	(58,570)
Gross profit	557,143	328,160	229,207	269,697	244,446
Operating income (expenses):					
Selling expenses	(147,874)	(236,603)	(229,817)	(91,250)	(69,532)
General and administrative expenses	(100,571)	(125,405)	(151,251)	(135,688)	(138,386)
Other income (loss)	835	(625)	415	(567)	3,275
Operating income (loss)	309,533	(34,473)	(151,446)	42,192	39,803

Year Ended December 31,

	2014	2015	2016	2017	2018
(U.S. dollars in thousands, except share data and ADS data)					
Foreign exchange gain (loss)	(44)	1,464	(1,882)	15	(598)
Interest income	43,857	22,221	11,367	11,322	10,302
Interest expense	(17,308)	(16,519)	(20,791)	(16,153)	(21,174)
Change in fair value of securities				518	(167,402)
Realized gain on available-for-sale securities (including accumulated other comprehensive income reclassifications for unrealized gain on available-for-sale securities of US\$10,583, US\$2,736 and US\$1,493 for the years ended December 31, 2016, 2017 and 2018 respectively)	—	—	10,583	2,736	1,493
Government grants	7,205	4,936	6,469	3,154	1,435
Investment income, net	—	1,333	3,281	6,692	6,816
Other non-operating loss				(4,562)	(30)
Impairment on investments	(8,417)	—	(2,232)	(2,768)	—
Income (loss) before income taxes and noncontrolling interests	334,826	(21,038)	(144,651)	43,146	(129,355)
Income tax (expenses) benefit	(81,609)	5,905	(24,984)	(21,442)	14,446
Net income (loss)	253,217	(15,133)	(169,635)	21,704	(114,909)
Net (loss) income attributable to noncontrolling interests	—	(37)	—	(3)	2
Net income (loss) attributable to Fang Holdings Limited's shareholders	253,217	(15,096)	(169,635)	21,707	(114,911)
Other comprehensive income (loss), before tax:					
Foreign currency translation adjustments	(4,323)	(55,928)	(60,732)	56,571	(46,648)
Unrealized gain (loss) on available-for-sale securities Amounts reclassified from accumulated other comprehensive income	10,508	(4,002)	7,326	212,838	1,493
Gain (loss) on intra-entity foreign transactions of long- term-investment nature	—	—	(6,996)	1,872	(3,034)
Other comprehensive income (loss), before tax	6,185	(59,930)	(70,985)	268,545	(49,682)
Income tax expense related to components of other comprehensive income	—	—	—	(49,566)	—
Other comprehensive income (loss), net of tax	6,185	(59,930)	(70,985)	218,979	(49,682)
Comprehensive income (loss)	259,402	(75,063)	(240,620)	240,683	(164,591)
Comprehensive (loss) income attributable to noncontrolling interests	—	(37)	—	(3)	2
Comprehensive income (loss) attributable to Fang Holdings Limited's shareholders	259,402	(75,026)	(240,620)	240,686	(164,593)
Earnings (loss) per share for Class A and Class B ordinary shares:					
Basic	3.08	(0.18)	(1.81)	0.25	(1.29)
Diluted(1)	2.87	(0.18)	(1.81)	0.24	(1.29)
Dividend declared per ordinary share(2)	1.00	0.87	—	—	—

Year Ended December 31,

	2014	2015	2016	2017	2018
(U.S. dollars in thousands, except share data and ADS data)					
Earnings (loss) per ADS:					
Basic	0.62	(0.04)	(0.36)	0.05	(0.26)
Diluted(1)	0.57	(0.04)	(0.36)	0.05	(0.26)
Weighted average number of Class A and Class B ordinary shares outstanding:					
Basic	82,163,135	85,170,886	93,605,749	88,475,665	88,749,432
Diluted	92,208,620	85,170,886	93,605,749	91,585,677	88,749,432
Weighted average number of outstanding ADS:					
Basic	410,815,675	425,854,430	468,028,745	442,378,325	443,747,158
Diluted	461,043,100	425,854,430	468,028,745	457,928,385	443,747,158
Share-based compensation expenses included in:					
Cost of revenues	782	471	443	364	506
Selling expenses	1,122	446	512	479	405
General and administrative expenses	2,779	3,485	5,597	6,375	13,171

- (1) Earnings (loss) per share for Class A and Class B ordinary shares (diluted) and earnings (loss) per ADS (diluted) for each year from 2014 to 2018 have been computed, after considering the potential dilutive effect of the shares underlying employees' share options, restricted shares and convertible senior notes.
- (2) Dividend declared per ordinary share represents the dividend declared divided by the number of outstanding ordinary shares as of the period end.

As of December 31,

	2014	2015	2016	2017	2018
(U.S. dollars in thousands)					
Consolidated balance sheet data:					
Cash and cash equivalents and short-term investments	809,944	880,480	379,457	284,077	211,151
Total current assets	1,173,457	1,514,738	793,210	748,412	668,837
Total assets	1,737,805	2,292,042	1,614,813	2,000,255	1,824,436
Long term loans	100,000	—	65,190	114,109	123,215
Convertible senior notes	393,568	287,887	295,268	291,365	254,435
Total Fang shareholder's equity	632,609	853,766	487,130	739,583	594,506

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

An investment in our ADSs or notes involves risks. You should carefully consider the risks described below, as well as the other information included or incorporated by reference in this annual report, before making an investment decision. Our business, financial condition or results of operations could be materially adversely affected by any of these risks. The market or trading price of our ADSs or notes could decline due to any of these risks, and you may lose all or part of your investment. In addition, the risks discussed below also include forward-looking statements and our actual results may differ substantially from those discussed in these forward-looking statements. You should also review the section of this annual report captioned "Forward-Looking Statements." Please note that additional risks not presently known to us, that we currently deem immaterial or that we have not anticipated may also impair our business and operations.

Risks related to our business

We may continue to incur losses in the future, and may not be able to return to profitability, which may cause the market price of our ADSs to decline.

We incurred net loss of US\$114.9 million in 2018, primarily due to the combined effect of the decrease in our revenues and the decrease in fair value of our equity investments. Prior to January 1, 2018, such unrealized change in fair value of equity investments was recorded in other comprehensive income or loss, while such unrealized change in fair value of equity investments is recorded in earnings after January 1, 2018 due to the adoption of ASU 2016-01. Our ability to achieve profitability in the future depends on our ability to control costs and to provide products and services to meet the market demands and attract new customers, the competitiveness of our products and services, and the regulatory environment in China's real estate market. Due to the numerous risks and uncertainties associated with the development of our business and the regulatory environment, we cannot guarantee that we may be able to return to profitability in the short-term or long-term, which may cause the market price of our ADSs to decline.

Our business could be materially and adversely affected by fluctuations in, and government measures influencing, China's real estate industry.

We conduct our real estate services business primarily in China, and our business depends substantially on conditions of the PRC real estate market. In particular, our new home business, which accounted for 47.2%, 34.2% and 41.8% of our total revenues in 2016, 2017 and 2018, respectively, depends upon growth in the real estate-related industry nationwide and in specific regions in China. Demand for private residential property in China has grown rapidly in recent years, but such growth is often coupled with volatility in market conditions and fluctuation in property prices. Fluctuations of supply and demand in China's real estate market are caused by economic, social, political and other factors. To the extent fluctuations in the real estate market adversely affect the demand for real estate and home-related products and services and for real estate- and home-related advertising and financing, demand for our products and services, as well as the level of our growth and profitability, may be materially reduced.

The real estate market in China is typically affected by changes in government policies affecting the real estate and financial markets and related areas. In the past, the PRC government has adopted various administrative measures to curb what it perceived as unsustainable growth in the real estate market, particularly when the real estate market in China experienced rapid and significant increases in home sales as well as prices. In February 2013, for example, the State Council announced certain plans to address the rapid increase in property prices in certain cities since late 2012, including raising minimum down-payments and loan rates for second home buyers in cities where prices experienced a rapid increase and enforcing a 20% capital gains tax on the sale of existing homes. In part due to these policies, the real estate market in China experienced a slowdown and real estate development declined in 2014. In March 2015, the PRC government issued a new policy to reduce the down-payment requirements and exempt certain home owners from paying sales taxes if they sell after owning the property for two years. Beginning in September 2016, certain cities, such as Beijing and Shanghai, increased the down-payment requirements again and tightened the determination of first home buyers who are often eligible for relaxed regulations. Relevant government authorities have recently also promulgated legislations to ban financings to home buyers for down-payment and ceased granting or renewing real estate broker licenses in certain cities. Beginning in March 2017, certain cities, such as Beijing and Guangzhou, further increased the minimum down-payments for second home buyers.

In addition to government policies aimed specifically at controlling growth in real estate markets in China, our business, financial condition and results of operations may also be negatively affected by other macroeconomic and regulatory measures. Any future policies in the following areas could cause a decline in home sales and prices, which in turn could affect the demand for our services and negatively impact our business, financial condition and results of operation:

- restrictive monetary policies adopted by the PRC government, including any significant increase in interest rates;

- adverse developments in the credit markets and/or mortgage financing markets resulting from PRC government policies;
- policies regarding land supply;
- significant increases in transaction costs as a result of changes in PRC government policies regarding transaction taxes, such as the sales tax on residential property sales by individuals within two years of purchase;
- adverse changes in PRC government policies regarding the acquisition and/or ownership of real estate;
- adverse changes in PRC national or local government policies or practices regarding brokerage, referral or related fees and commissions; or
- other PRC government policies or regulations that burden real estate transactions or ownership.

Our business depends substantially on revenues from our marketing services, and participants in the real estate and home-related sectors may choose other advertising media over online advertising or other online advertisers, which could lead to a decline in our revenues.

All of our marketing service revenues are generated through our websites and mobile apps, and we expect to continue to derive a significant portion of our revenues from marketing services. Marketing services accounted for 18.1%, 33.6% and 39.5% of our revenues in 2016, 2017 and 2018, respectively, constituting our largest source of revenues in 2018. In particular, our new home business accounted for 87.4%, 81.4% and 99.7% of our marketing service revenues in 2016, 2017 and 2018, respectively. Our new home business primarily consists of sales of marketing services to residential property developers and their sales agents who are promoting newly developed properties for sale.

Although the online marketing industry in China has been growing, advertisers in the real estate sector in China have typically relied on traditional forms of advertising media, such as newspapers, magazines and outdoor advertising. If we are unable to retain and develop our base of advertising customers, including real estate developers, our business may not grow as quickly as we expect. Moreover, advertisers may not continue to do business with us if they do not perceive our marketing services to be effective or our user demographics to be desirable.

Our ability to continue to generate and maintain marketing service revenues depends on a number of factors, many of which are beyond our control, including:

- overall demand from property developers for online advertising;
- the amount of user traffic on our websites and mobile apps, our ability to achieve user demographic characteristics that are attractive to advertisers, and our ability to demonstrate such user traffic and demographic characteristics through our website traffic tracking tools and reporting systems;
- potential downward pressure on online marketing pricing due to increased competition from other online advertisers and traditional advertising media;
- widespread adoption of technologies that permit Internet users to selectively block unwanted web views, including advertisements on web pages; and
- emergence and user acceptance of new marketing channels, including social networking platforms and “We Media.”

If we are unable to remain competitive and provide value to our advertisers, they may stop placing advertisements with us, which would have a material adverse effect on our business, financial condition and results of operations.

If we are unable to continue to obtain listings from our key customer groups, including real estate developers, agents, brokers and property owners and managers, our business, financial condition and results of operations could be materially and adversely affected.

We derive a significant portion of our revenues from our listing services. In 2016, 2017 and 2018, listing service revenues represented approximately 12.9%, 37.2% and 37.5% of our total revenues, respectively. The success of the listing service business depends on our ability to persuade real estate developers, real estate agents, brokers, developers and property owners and managers to list their properties on our websites and mobile apps. We believe having large numbers of high-quality listings from such real estate professionals attracts users to our websites and mobile apps, thereby enhancing our attractiveness to advertisers and other real estate market participants. However, substantially all of our listing agreements are nonexclusive. Our listing customers may stop using our listing services and may choose to use the services of one or more of our competitors or seek alternative means of listing, such as real estate magazines or newspapers. If owners of large numbers of property listings, such as major developers or large brokers or property owners in key real estate markets, choose not to renew their existing agreements with us, our websites and mobile apps could become less attractive to users. If we experience reduced user traffic on our websites and mobile apps, advertisers and other real estate market participants may discontinue the use of or be unwilling to pay for our services. In such an event, our competitive position could be significantly weakened and our business, financial condition and results of operations could be materially and adversely affected.

Our future growth depends in part on our ability to continue to operate the retained business after the proposed separation of CIH.

On May 10, 2019, CIH publicly filed a registration statement on Form F-1 with SEC to effect its separation from Fang through a dividend distribution of Class A ordinary shares (including those represented by ADSs) in CIH to our equity holders. Upon the completion of the proposed separation and distribution, CIH will have the exclusive right to operate the spun-off business comprising certain portions of our listing and value-added services, and we will have the exclusive right to operate the retained business. CIH plans to cooperate with us to operate its commercial property-related business through our web pages after the proposed separation and distribution and ultimately migrate such business to its own website. For more details, see “Item 4. Information on the Company— B. Business Overview— Separation of CIH.”

Whether we can continue to grow the retained business depends on our ability to manage and develop these services effectively. If we are not successful in assuring our employees of our prospects after the proposed separation and distribution, our employees may seek other employment, which could materially and adversely affect our business operation. If we fail to retain our qualified personnel or replace them when they leave, we may be unable to continue our development, which may cause the price of our ADSs to fall.

We derive a substantial portion of our revenues from several major urban centers in China, in particular, Beijing, Shanghai, Chengdu, Chongqing, Tianjin and Shenzhen and we face market risks due to concentration of our revenues in these major urban areas.

We derive a substantial portion of our revenues from several major urban centers in China, including Beijing, Shanghai, Chengdu, Chongqing, Tianjin and Shenzhen. In 2016, 2017 and 2018, we generated revenues of US\$465.6 million, US\$180.5 million and US\$152.9 million, respectively, from these six urban centers, representing 51.0%, 41.0% and 50.5%, respectively, of our total revenues. We expect these six urban centers to continue to be important regional sources of revenues in all of our revenue categories. If any of these major urban centers experience events which negatively impact the real estate industry or online advertising, such as a serious economic downturn or contraction, a natural disaster, or slower growth due to adverse governmental policies or otherwise, demand for our services could decline significantly and our business and revenue growth prospects could be materially and adversely impacted.

We may fail to compete successfully against current or future competitors, which could significantly reduce our market share and materially and adversely affect our business, financial condition and results of operations.

We face competition from other companies in each of our primary business activities. In particular, the online real estate Internet service market in China is becoming increasingly competitive. For example, in March 2015, 58.com, an online marketplace, acquired Anjuke.com, an online real estate sales and rental service provider in China, which will likely increase competition in our market. The barriers of entry for establishing Internet-based businesses are low, thereby allowing new entrants to emerge rapidly. As the online real estate Internet service industry in China is relatively new and constantly evolving, our current or future competitors may be able to better position themselves to compete as the industry matures. We also face competition from companies in other media that offer online advertising, online listing and similar services. Any of these competitors may offer products and services that provide significant advantages over those offered by us in terms of performance, price, scope, creativity or other advantages. These products and services may achieve greater market acceptance than our service offerings, and thus weaken our brand. Increased competition in the online real estate Internet service industry in China could make it difficult for us to retain existing customers and attract new customers, and could lead to a reduction in our fees. Furthermore, our current competitors include major Internet portals in China that provide real estate Internet services, such as Sina.com and Sohu.com, which may have more established brand names, larger visitor numbers and more extensive Internet distribution channels than we do.

In addition, we have faced and may continue to face strong competition from regionally focused websites and mobile apps providing regional real estate listings together with localized services, as well as other emerging channels, including social network platforms and “We Media.” Any of our current or future competitors may also receive investments from or enter into other commercial or strategic relationships with larger, well-established and well-financed companies and obtain significantly greater financial, marketing and content licensing and development resources than us. Furthermore, some of our competitors receive support from local governments, which may place us at a disadvantage when competing with them in their local markets. We cannot assure you that we will be able to compete successfully against our current or future competitors. Any failure to compete effectively in the real estate Internet services market in China would have a material adverse effect on our business, financial condition and results of operations.

Failure to maintain and enhance brand awareness for our websites and mobile apps could lead to loss of existing customers and qualified personnel.

We believe maintaining and enhancing our brand name as a leading real estate Internet company in China is a critical part of our strategy. In July 2014, we changed the address of our principal website from www.soufun.com to www.fang.com. “Fang” means “home” in Chinese. In conjunction with our change of web address, we also launched our new “Fang Tian Xia” brand (“房天下” in Chinese, which can be approximately translated as “world of homes” in English). In September 2016, we changed our name to Fang Holdings Limited. We believe that this new and simplified address will be much easier for Chinese users to remember and access, thereby improving our brand recognition. In addition to promoting our websites and brand through our direct sales force, we also intend to continue to pursue other means to enhance brand awareness, including publication of real estate research reports, event sponsorships, portal collaboration arrangements, and advertising and marketing activities. We cannot assure you that our efforts will be successful in maintaining or enhancing our brand awareness. If our brand enhancement strategy is unsuccessful, or if other brands surpass our brand in market recognition in one or more cities in which we operate, we may fail to attract new or retain existing users, customers or qualified personnel, which could materially decrease our revenues and profitability.

Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business, financial condition, results of operations, reputation and competitive advantage.

Our copyrights, trademarks, trade secrets, domain names and other intellectual property are important to our business. Unauthorized use of such intellectual property, whether owned by us or licensed to us, may materially and adversely affect our business, financial condition, results of operations, reputation and competitive advantages. We rely on intellectual property laws and contractual arrangements with our key employees and certain of our customers, collaborators and others to protect our intellectual property rights. The measures we take to protect our intellectual property rights may not be adequate and policing the unauthorized use of our intellectual property is difficult and expensive.

In addition, the validity, enforceability and scope of protection of intellectual property in Internet-related industries in China are uncertain and still evolving, and could involve substantial risks. The laws and enforcement procedures in China are not yet well developed, and do not protect intellectual property rights to the same extent as laws and enforcement procedures in the United States and other jurisdictions. Furthermore, litigation may be necessary in the future to enforce our intellectual property rights, which could result in substantial costs and diversion of our resources and have a material adverse effect on our business, financial condition and results of operations. If we are unable to adequately protect the intellectual property rights that we own or use, we may lose these rights and our business, growth prospects and profitability may suffer.

Regulation of the Internet industry in China, including censorship of information distributed over the Internet, may materially and adversely affect our business.

China has enacted laws, rules and regulations governing Internet access and the distribution of news, information or other content, as well as products and services, through the Internet. In the past, the PRC government has prohibited the distribution of information through the Internet that it deems to be in violation of applicable PRC laws, rules and regulations. In particular, under regulations promulgated by the State Council, the MIIT, the General Administration of Press, Publication, Radio, Film and Television (formerly the State Press and Publications Administration) and the Ministry of Culture, Internet content providers and Internet publishers are prohibited from posting or displaying content over the Internet that, among other things: (1) opposes the fundamental principles of the PRC constitution, (2) compromises state security, divulges state secrets, subverts state power or damages national unity, (3) disseminates rumors, disturbs social order or disrupts social stability, (4) propagates obscenity, pornography, gambling, violence, murder or fear or incites the commission of crimes, or (5) insults or slanders a third party or infringes upon the lawful right of a third party.

If any Internet content we offer through our consolidated controlled entities were deemed by the PRC government to violate any of such content restrictions, we would not be able to continue such offerings and could be subject to penalties, including confiscation of illegal revenues, fines, suspension of business and revocation of required licenses, which could have a material adverse effect on our business, financial condition and results of operations. We may also be subject to potential liability for any unlawful actions of our customers or affiliates or for content we distribute that is deemed inappropriate. It may be difficult to determine the type of content that may result in liability to us, and if we are found to be liable, we may be forced to cease operation of our websites and mobile apps in China.

If we fail to maintain the applicable licenses and approvals under the complex regulatory environment for Internet-based businesses and online advertising businesses in China, or fail to pass annual government inspection or obtain renewal of the business license, our business, financial condition and results of operations would be materially and adversely affected.

The Internet and online advertising industries in China are still at a relatively early stage of development and are highly regulated by the PRC government. Various regulatory authorities of the PRC government, such as the State Council, the MIIT, the SAIC, the General Administration of Press, Publication, Radio, Film and Television, and the Ministry of Public Security, are empowered to issue and implement regulations governing various aspects of the Internet and advertising industries. Moreover, new laws, rules and regulations may be adopted, or new interpretations of existing laws, rules and regulations may be released, to address issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of any current and future PRC laws, rules and regulations applicable to the Internet and online advertising industries.

We are required to obtain applicable licenses or approvals from various regulatory authorities in order to provide advertising and value-added services and products. These licenses or approvals are essential to the operation of our business and are generally subject to annual review by the relevant PRC governmental authorities. For example, each of Beijing Technology, Beijing JTX Technology, Beijing Tuo Shi Hong Ye Technology Development Co., Ltd. (“Beijing Tuo Shi Hong Ye”) and Beijing Gu Tian Xia Information Co., Ltd. (“Beijing Gu Tian Xia”) currently holds an ICP license, as required under the applicable PRC laws, rules and regulations; and each of Beijing Technology, Beijing JTX Technology and Beijing Gu Tian Xia currently holds an approval for operating electronic bulletin board services as required under the applicable PRC laws, rules and regulations. Beijing Advertising, Shanghai Century JTX Network and certain other consolidated controlled entities are allowed to provide marketing services in accordance with the business scope indicated in each of their respective business licenses.

Some of our consolidated controlled entities, however, may be required to obtain additional licenses. For example, since our websites and mobile apps include online residential communities that allow visitors to post information, including graphics or weblinks to videos, other websites and mobile apps or data in microblogs or online discussion forums, on our websites and mobile apps for discussion with other users, the release of such information on our websites and mobile apps may be deemed as providing Internet publication services and therefore require Internet publication licenses. Similarly, if we or third parties post information that may be viewed as news information, the release of such information on our websites and mobile apps may be deemed as Internet news information services and therefore require Internet news information licenses. We, like many other similarly situated business operators, have been operating our businesses without such licenses. Certain of our relevant consolidated controlled entities have applied to the relevant government authorities for Internet publication licenses again in accordance with applicable PRC laws, rules and regulations, and pursuant to the request by the relevant governmental authorities, we are now preparing the relevant supplementary materials for such application. In addition, we are still in discussions with the relevant government authorities on our application for, and the authorities' issuance of, Internet news information service licenses.

Moreover, certain services licenses, including, for example, the financing guarantee license, the online video recording and broadcasting license and real estate service licenses, held by certain of our subsidiaries, have expired, and the holders have applied for renewals, which are currently awaiting approval from the relevant regulators.

Under the applicable PRC laws, rules and regulations, the failure to obtain and/or maintain business licenses, an Internet publication licenses and/or Internet news information service licenses may subject the entity to various penalties, including confiscation of revenues, imposition of fines and/or restrictions on the entity conducting such activities' business operations, or the discontinuation of their operations. Although our relevant consolidated controlled entities have not received any revenues directly from Internet publication services or Internet news information services, we cannot assure you that the PRC regulatory authorities will not impose any such penalties. Any such disruption in the business operations of our consolidated controlled entities could materially and adversely affect our business, financial condition and results of operations.

Unexpected network interruptions or security breaches, including "hacking" or computer virus attacks, may cause delays or interruptions of service, resulting in reduced use and performance of our websites and mobile apps and damage our reputation and brands.

Our business depends heavily on the performance and reliability of China's Internet infrastructure, the continued accessibility of bandwidth and servers on our service providers' networks and the continuing performance, reliability and availability of our technology platform. Any failure to maintain the satisfactory performance, reliability, security and availability of our computer and hardware systems may cause significant harm to our reputation and our ability to attract and maintain customers and visitor traffic. Major risks related to our network infrastructure include:

- any breakdown or system failure resulting in a sustained shutdown of our servers, including failures which may be attributable to sustained power shutdowns, or efforts to gain unauthorized access to our systems causing loss or corruption of data or malfunctions of software or hardware;
- any disruption or failure in the national backbone network, which would prevent our customers and users from accessing our websites and mobile apps;
- any damage from fire, flood, earthquake and other natural disasters; and
- computer viruses, hackings and similar events.

Computer viruses and hackings may cause delays or other service interruptions and could result in significant damage to our hardware, software systems and databases, disruptions to our business activities, such as to our e-mail and other communication systems, breaches of security and inadvertent disclosure of confidential or sensitive information, inadvertent transmissions of computer viruses and interruptions of access to our websites and mobile apps through the use of denial-of-service or similar attacks. In addition, the inadvertent transmission of computer viruses could expose us to a material risk of loss or litigation and possible liability. All of our servers and routers, including back-up servers, are currently hosted by third-party service providers in Beijing and Shanghai and all information on our websites and mobile apps is backed up periodically. Any hacking, security breach or other system disruption or failure which occurs in between our backups could disrupt our business or cause us to lose, and be unable to recover, data such as real estate listings, contact information and other important customer information.

We also do not maintain insurance policies covering losses relating to our systems and do not have business interruption insurance. Moreover, the low coverage limits of our property insurance policies may not be adequate to compensate us for all losses, particularly with respect to any loss of business and reputation that may occur. To improve our performance and to prevent disruption of our services, we may have to make substantial investments to deploy additional servers or create one or more copies of our websites and mobile apps to mirror our online resources, either of which could increase our expenses and reduce our net income.

Breaches of security in connection with our websites could expose us to potential liability and harm our reputation.

Ensuring secured transmission of confidential information through public networks is essential to maintaining the confidence of our customers and users. Our existing security measures may not be adequate to protect such confidential information. In addition, computer and network systems are susceptible to breaches by computer hackers. Security breaches could expose us to litigation and potential liability for failing to secure confidential customer information, and could harm our reputation and reduce our ability to attract customers and users. Any future security breaches, if any, may result in a material adverse effect on our business, financial condition and results of operations.

The successful operation of our business depends upon the performance and reliability of the Internet infrastructure and telecommunications networks in China.

Our business depends on the performance and reliability of the Internet infrastructure in China. Substantially all access to the Internet is maintained through state-controlled telecommunication operators under the administrative control and regulatory supervision of MIIT. In addition, the national networks in China are connected to the Internet through international gateways controlled by the PRC government. These international gateways are generally the only channels through which a domestic user can connect to the Internet. We cannot assure you that more sophisticated Internet infrastructure will be developed in China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China's Internet infrastructure. In addition, the Internet infrastructure in China may not support the demands associated with the continued growth in Internet usage.

We also rely on China Telecommunications Corporation (“China Telecom”) and China United Network Communications Group Co., Ltd. (“China Unicom”) to provide us with data communications capacity primarily through local telecommunications lines and Internet data centers to host our servers. We do not have access to alternative services in the event of disruptions, failures or other problems with the fixed telecommunications networks of China Telecom and China Unicom, or if China Telecom or China Unicom otherwise fails to provide such services. Any unscheduled service interruption could disrupt our operations, damage our reputation and result in a decrease in our revenues. Furthermore, we have no control over the costs of the services provided by China Telecom and China Unicom. If the prices that we pay for telecommunications and Internet services rise significantly, our gross margins could be significantly reduced. In addition, if Internet access fees or other charges to Internet users increase, our user traffic may decrease, which in turn may cause our revenues to decline.

You should not rely on our quarterly operating results as an indication of our future performance because our quarterly financial results are subject to fluctuations.

The real estate sector in China is characterized by seasonal fluctuations, which may cause our revenues to fluctuate significantly from quarter to quarter. The first quarter of each year generally contributes the smallest portion of our annual revenues due to reduced advertising and marketing activity of our customers in the PRC real estate industry during and around the Chinese Lunar New Year holiday, which generally occurs in January or February of each year. Furthermore, as we are substantially dependent on sales of listing and marketing, our quarterly revenues and results of operations are likely to be affected by:

- seasonality of the real estate market and real estate consumers’ purchasing patterns;
- our ability to retain existing customers and attract new customers for our listing, marketing and e-commerce services;
- our ability to successfully introduce new service offerings on our platform;
- the amount and timing of our operating expenses and capital expenditures;
- the adoption of new, or changes to existing, governmental regulations;
- a shortfall in our revenues relative to our forecasts and a decline in our operating results; and
- economic conditions in general and specific to the real estate industry and to China.

As a result, you should not rely on our quarter-to-quarter comparisons of our results of operations as indicators of likely future performance.

Failure to continue to develop and expand our content, service offerings and features, and to develop or incorporate the technologies that support them, could jeopardize our competitive position.

As an Internet portal company, we participate in an industry characterized by rapidly changing technology and new products and services. To remain competitive, we must continue to develop and expand our content and service offerings. We must also continue to enhance and improve the user interface, functionality and features of our websites and mobile apps. These efforts may require us to develop internally, or to license, increasingly complex technologies. In addition, many of our competitors are continually introducing new Internet-related products, services and technologies, which will require us to update or modify our own technology to keep pace. Developing and integrating new products, services and technologies into our existing businesses could be expensive and time-consuming. Furthermore, such new features, functions and services may not achieve market acceptance or serve to enhance our brand loyalty. We may not succeed in incorporating new Internet technologies, or, in order to do so, we may incur substantial expenses. If we fail to develop and introduce or acquire new features, functions, services or technologies effectively and on a timely basis, we may not continue to attract new users and may be unable to retain our existing users, which could affect our marketability as a popular advertising and listing media. If we are not successful in incorporating new Internet technologies, our future profitability and revenue growth could be materially and adversely affected.

Our revenues and profitability could suffer if we are unable to successfully implement our growth strategies or manage our growth effectively.

We intend to grow our business by rolling out our full suite of services to more cities across China. We also plan to expand into new sectors. We intend to improve our open platform business by introducing a number of cloud products empowered by our big data capabilities. However, some of our growth strategies relate to new services and technologies for which there are no established markets in China or relate to services, technologies, new geographic markets or new businesses in which we have limited or no experience. We do not have experience providing these services and may not select the right third parties to partner with or establish or maintain some business relationship with them at commercially reasonable terms. Moreover, due to the breadth and diversity of the PRC real estate market and the PRC microfinance market as well as other industries and sectors we plan to expand into, our business model may not be successful in new and untested markets as demand and preferences may vary significantly by region. As a result, we may not be able to leverage our experience to expand into other parts of China or to enter into businesses with respect to new products or services. We cannot assure you that we will be able to successfully grow our business in our existing cities. There can be no assurance that we will be able to enter new geographic markets or deliver new services and technologies on a commercially viable basis or in a timely manner, or at all. If we are unable to successfully implement our growth strategies, our revenues and profitability may not grow as we expect, and our competitiveness may be materially and adversely affected.

Increases in the volume of our website traffic as a result of our expansion into new geographic regions could also strain the capacity of our existing computer systems, which could lead to slower response times or system failures. This would cause the number of real estate search inquiries, advertising impressions, other revenue producing offerings and our informational offerings to decline, any of which could significantly reduce our revenue growth and our brand loyalty. We may need to incur additional costs to upgrade our computer systems in order to accommodate increased demand if our systems cannot handle current or higher volumes of traffic. Mismanagement of any of our services in new or existing markets or the deterioration of the quality of our services could significantly damage our brand names and reputation and adversely impact our ability to attract and retain customers and visitor traffic.

Our growth plans place a significant demand on our management, systems and other resources. In addition to training and managing a growing workforce, we will need to continue to develop and improve our financial and management controls and our reporting systems and procedures. We cannot assure you that we will be able to efficiently or effectively manage the growth of our operations, and any failure to do so may limit our future growth and have a material adverse effect on our business, financial condition and results of operations.

We rely on the creditworthiness of our borrowers, which may limit our ability to recover from a defaulting borrower.

We launched our financial services focusing on the provision of loans to home buyers and other borrowers in 2015. A significant portion of our loan portfolio consists of secured loans. As of December 31, 2018, 3.1% of our outstanding loans receivable were unsecured. We have implemented credit evaluation procedures to enable us to select borrowers based on their creditworthiness. However, we do not have significant experience with assessing creditworthiness and loan underwriting and, as a result, our evaluation may not be reliable. We also do not have experience in collecting loans in default or working with borrowers to resolve payment difficulties with their loans. Our ability to recover payments from defaulting borrowers of unsecured loans may be more limited than those secured by collateral or mortgage. For our secured loans, the value of collateral securing our loans is subject to change, and may fall below the outstanding amount of the loans and thus be insufficient to cover our loss in the event of a customer default.

Our borrowers' ability to repay our loans is affected by a number of factors, including economic development in the regions where these borrowers reside or operate, market conditions in the industries where these borrowers conduct business, development of these borrowers' businesses, borrowers' employment situations and, in particular, as well as the conditions of the real estate market in China. If our borrowers default, we may apply to enforce our claims against the defaulting borrowers and their assets, including the collateral pledged to us, through court proceedings. However, the procedures for enforcing the assets and liquidating or otherwise realizing the value of the assets may be protracted or ultimately unsuccessful, and the enforcement process may be difficult for various reasons. As a result, if our borrowers default for any reason, our business, results of operations and financial condition may be materially and adversely affected.

Our financial services are subject to various regulatory restrictions.

We obtained approvals to engage in the microfinancing business from government authorities of four cities, including Beihai, Shanghai, Chongqing and Tianjin. Pursuant to Notice on Regulating the “Cash Loan” Business, issued by Office of the Leading Group for the Special Campaign against Internet Financial Risks and the Office of the Leading Group for the Special Campaign against Peer-to-peer Lending Risks on December 1, 2017, or Notice on Regulating Cash Loan, internet microfinance businesses is strictly regulated. According to the Notice on Regulating Cash Loan, among other requirements, microfinance companies are required to suspend distribution of internet microloans that are not supported by specific scenarios and no specific purpose, gradually reduce the outstanding loan balance within the prescribed time limit and complete rectifications within the prescribed time limit. Our subsidiaries with microfinancing approvals in Shanghai and Chongqing also provide a small amount of unsecured loans for our employees, which may be deemed as “cash loans” and be prohibited under the Notice on Regulating Cash Loan.

According to the Guiding Opinions on the Pilot Operation of Microfinance Companies, or the Guiding Opinions jointly issued by the China Banking Regulatory Commission and the PBOC on May 4, 2008, microfinance companies are limited liability companies or joint stock companies established with the capital contribution from natural persons, legal persons and other organizations, which do not accept public deposits and engage in the microfinance business. To set up a microfinance company, an applicant shall submit a formal application to the competent administrative departments at the provincial level. Upon approval, the applicant shall apply to the local branch of the SAIC to obtain a business license for the microfinance company. In addition, the applicant shall complete certain filings with the local police department, the local office of the China Banking Regulatory Commission and the local branch of the PBOC. According to the Guiding Opinions, a provincial government may launch pilot programs for microfinance companies within prefectural regions of the province only after it designates a department (finance office or other relevant institutions) to be in charge of supervision and administration of microfinance companies and is willing to be responsible for risk management and disposals with respect to microfinance companies. Consequently, microfinance companies are primarily regulated locally by provincial governments under rules and regulations promulgated by the provincial governments.

In November 2009, the provincial government of the Guangxi Zhuang Autonomous Region issued the Management Measures of Microfinance Companies in Guangxi Zhuang Autonomous Region. In 2014, we obtained approvals to engage in the microfinancing business from government authorities of Beihai city, Guangxi Zhuang Autonomous Region. Pursuant to the Management Measures of Microfinance Companies in Guangxi Zhuang Autonomous Region, Beihai Tian Xia Dai Microfinance Co., Ltd. (“Beihai Tian Xia Dai Microfinance”) with microfinancing approvals cannot conduct microfinancing business outside Beihai city. However, Beihai Tian Xia Dai Microfinance provided loans outside Beihai city, and as a result, it may face the risk of being rectified by the relevant authorities.

Changes in the interest rates and spread could negatively affect the revenue generated from our financial services.

Our financial services generate revenue primarily from interest income. The interest rates we charge the borrowers are linked to the PBOC benchmark rate, which may fluctuate significantly due to changes in the PRC government’s monetary policies. If we are required to lower the interest rates we charge our borrowers to reflect the decrease in the PBOC benchmark interest, the interest earned from our loans will decline. Furthermore, we may face fierce price competition, and as a result we may also lower our interest rates. Either case could negatively affect the revenue generated from our financial services.

The members of our senior management team, in particular, Mr. Vincent Tianquan Mo (“Mr. Mo”), our founding shareholder, director and executive chairman, have played an important role in the growth and development of our business, and if we are unable to continue to retain their services, our business, financial condition and results of operations could be materially and adversely affected.

Our future success is significantly dependent upon the continued services of our senior management. In particular, Mr. Mo has played an important role in the growth and development of our business. To date, we have relied heavily on the expertise and experience of Mr. Mo and other senior management personnel in our business operations, including their extensive knowledge of the PRC real estate market, their strong reputation in the PRC real estate industry, and their relationships with our employees, relevant regulatory authorities and many of our customers. If Mr. Mo or other senior management personnel are unable or unwilling to continue in their present positions, we may not be able to locate suitable or qualified replacements and may incur additional expenses to identify their successors. In addition, if Mr. Mo or other senior management personnel joins a competitor or forms a competing company, we may lose our customers, and our collaboration arrangements may be disrupted, which would have a material adverse effect on our business, financial condition and results of operations. We do not maintain key-man insurance for Mr. Mo or other senior management personnel.

Failure to attract and retain qualified personnel could jeopardize our competitive position.

As our industry is characterized by high demand and intense competition for talent, we may need to offer higher compensation and other benefits in order to attract and retain quality sales, technical and other operational personnel in the future. We have from time to time in the past experienced, and we expect in the future to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. We cannot assure you we will be able to attract or retain the quality personnel that we need to achieve our business objectives. If we fail to successfully attract new personnel or retain and motivate our current personnel, we may lose competitiveness and our business, financial condition and results of operations could be materially and adversely affected.

We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could materially disrupt our business.

We cannot be certain that our services and information provided on our websites and mobile apps do not or will not infringe patents, copyrights or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights.

We have applied to register in China the Chinese and English dual-language “SouFun” trademark as well as “SouFun” in English and “搜房” (“SouFun” in Chinese) individually, and have successfully registered such trademarks in some industry categories, but our applications for certain other industry categories conflict with existing registrations or applications for similar trademarks by another PRC company in such industry categories, which have resulted in litigations. In April 2014, the Higher People’s Court of Beijing Municipality reversed a lower court’s judgment in favor of us and ordered the PRC Trademark Review and Adjudication Board of SAIC to reconsider another PRC company’s trademark application for “SOFANG” that it had previously rejected. In April 2015, the Supreme People’s Court of the PRC accepted our application for retrial over the judgment of the Higher People’s Court of Beijing Municipality but ultimately denied our application. Nevertheless, in 2015, we obtained new trademarks “Fang.com” in English and “房天下” (“Fang Tian Xia” in Chinese) and began to market our services under these new brands in connection with the transformation of our business model. We therefore do not currently expect our business would be materially and adversely affected even if we lose the right to use the trademark relating to “SouFun” in certain limited industry categories.

Moreover, we have previously been involved in disputes arising from alleged infringement of third parties’ copyrights on our websites and mobile apps, such as the use of photos or articles to which we did not have the rights, which led to judgments against us. We could be subject to similar claims, suits or judgments in the future if we post information to which we do not have the rights. Any such claims, regardless of merits, may involve us in time-consuming and costly litigation or investigation and divert significant management and staff resources. If we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property and may also be ordered to pay fines or monetary damages. As a result, we would be required to enter into expensive royalty or licensing arrangements or to develop alternative technologies, business methods, content or other intellectual property. We expect that the likelihood of such claims may increase as the number of competitors in our markets grows and as related patents and trademarks are registered and copyrights are obtained by such competitors. In addition, as we have expanded, and may continue to expand, our business into new geographical markets, we may be exposed to such claims in jurisdictions other than China and the scope of intellectual property protection in these overseas jurisdictions may be different from or greater than that in China. The intellectual property laws in overseas jurisdictions may also impose more stringent compliance requirements and cause more potential damages or penalties than those in China. Such claims in overseas jurisdictions, if successful, could require us to pay significant compensatory and punitive damage awards as well as expose us to costly and time-consuming litigation or investigations, all of which could materially disrupt our business and have a material adverse effect on our growth and profitability.

We are exposed to potential liability for information on our websites and mobile apps and for products and services sold through our websites and mobile apps and we may incur significant costs and damage to our reputation as a result of defending against such potential liability.

We provide third-party content on our websites and mobile apps such as real estate listings, links to third-party websites, advertisements and content provided by customers and users of our community-oriented services. We could be exposed to liability with respect to such third-party information. Among other things, we may face assertions that, by directly or indirectly providing such third-party content or links to other websites, we should be liable for defamation, negligence, copyright or trademark infringement, or other actions by parties providing such content or operating those websites. We may also face assertions that content on our websites, including statistics or other data we compile internally, or information contained in websites linked to our websites and mobile apps contains false information, errors or omissions, and users and our customers could seek damages for losses incurred as a result of their reliance upon or otherwise relating to incorrect information. We may also be subject to fines and other sanctions by the government for such incorrect information. Moreover, our relevant consolidated controlled entities, as Internet advertising service providers, are obligated under PRC laws and regulations to monitor the advertising content shown on our websites and mobile apps for compliance with applicable law. Violation of applicable law may result in penalties, including fines, confiscation of advertising fees, orders to cease dissemination of the offending advertisements and orders to publish advertisements correcting the misleading information. In case of serious violations, the PRC authorities may revoke the offending entities’ advertising licenses and/or business licenses. In addition, our websites and mobile apps could be used as a platform for fraudulent transactions and third party products and services sold through our websites and mobile apps may be defective. The measures we take to guard against liability for third-party content, information, products and services may not be adequate to exonerate us from relevant civil and other liabilities.

Any such claims, with or without merit, could be time-consuming to defend and result in litigation and significant diversion of management's attention and resources. Even if these claims do not result in liability to us, we could incur significant costs in investigating and defending against these claims and suffer damage to our reputation.

Potential acquisitions and office, training facility and land purchases, which form part of our strategy, may disrupt our ability to manage our business effectively, including our ability to successfully integrate acquired businesses into our existing operations.

Potential acquisitions form part of our strategy to further expand and operate our business. Acquisitions and the subsequent integration of new companies or businesses will require significant attention from our management, in particular to ensure that the acquisition does not disrupt any existing collaborations, or affect our users' opinion and perception of our services and customer support. In addition, our management will need to ensure that the acquired business is effectively integrated into our existing operations.

The diversion of our management's attention and any difficulties encountered in integration could have a material adverse effect on our ability to manage our business. In addition, acquisitions could expose us to potential risks, including:

- risks associated with the assimilation of new operations, services, technologies and personnel;
- unforeseen or hidden liabilities;
- the diversion of resources from our existing businesses and technologies;
- the inability to generate sufficient revenues to offset the costs and expenses of acquisitions; and
- potential loss of, or harm to, relationships with employees, customers and users as a result of the integration of new businesses.

In addition, in connection with our business expansion, we have acquired office space and training facilities as well as commercial land and may continue to do so in the future if suitable opportunities arise. For more details on our recent office, training facility and land acquisitions, see "Item 5.D. Operating and Financial Review and Prospects—A. Operating Results" and "Item 4. Information on the Company—Facilities" in this annual report. Acquisition of property has inherent risks, including the fluctuation of property value, which could potentially lead to potential asset write-off if the value of such properties were to substantially decrease.

If we fail to achieve and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, which could result in harm to our business, loss of investor confidence in our financial reporting and a lower trading price of our ADSs or notes.

Effective internal controls are necessary for us to provide accurate and timely financial reports and effectively prevent fraud. We discovered in 2018 and in the past, and may in the future discover, areas of our internal controls involving deficiencies, significant deficiencies or material weaknesses that have required or will require improvements in our procedures on the preparation, review, approval and disclosure of financial reports.

In the course of preparing and auditing our consolidated financial statements for the year ended December 31, 2018, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting as of December 31, 2018. A “material weakness” is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our company’s annual or interim consolidated financial statements will not be prevented or detected on a timely basis. The material weakness identified is that we did not have sufficient financial reporting and accounting personnel to formalize, design, implement and operate key controls over financial reporting process in order to report financial information in accordance with U.S. GAAP and SEC reporting requirements. To remedy our identified material weakness subsequent to December 31, 2018, we plan to undertake steps to strengthen our internal control over financial reporting, including: (1) hiring more qualified resources including financial controller, equipped with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and to set up a financial and system control framework, (2) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel, (3) establishing effective oversight and clarifying reporting requirements for non-recurring and complex transactions to ensure consolidated financial statements and related disclosures are accurate, complete and in compliance with SEC reporting requirements, and (4) upgrading our operating and accounting systems to prevent systematic errors.

Our internal control over financial reporting will not prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud will be detected.

A lack of effective internal control over financial reporting in the future could result in the loss of investor confidence in the reliability of our financial statements and negatively impact the trading price of our ADSs. In addition, if we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time or as necessary to correct deficiencies or weaknesses in our controls, we may not be able to provide accurate financial statements, which could cause us to fail to meet our reporting obligations or provide accurate financial statements, and cause investors to lose confidence in our reported financial information and have a negative effect on the trading price of our ADSs.

Certain of our leased property interests may be defective and we may be forced to relocate operations affected by such defects, which could cause significant disruption to our business.

As of December 31, 2018, we had leased properties in approximately 60 cities in China in addition to our principal executive offices in Beijing, China. A number of these leased properties, all of which were used as offices, contained defects in the leasehold interests. Such defects included the lack of proper title or right to lease and the landlords’ failure to duly register the leases with the relevant PRC government authority. A number of lease agreements were not renewed timely.

In situations where a tenant lacks evidence of the landlord's title or right to lease, the relevant lease agreement may not be valid or enforceable under PRC laws, rules and regulations, and may also be subject to challenge by third parties. In addition, under PRC laws, rules and regulations, the failure to register the lease agreement will not affect its effectiveness between the tenant and the landlord, however, such lease agreement may be subject to challenge by and unenforceable against a third party who leases the same property from the landlord and has duly registered the lease with the competent PRC government authority. Furthermore, the landlord and the tenant may be subject to administrative fines for such failure to register the lease.

We have taken steps to renew lease agreements and cause our landlords to procure valid evidence as to the title or right to lease, as well as to complete the lease registration procedures. However, we cannot assure you that such defects will be cured in a timely manner or at all. Our business may be interrupted and additional relocation costs may be incurred if we are required to relocate operations affected by such defects. Moreover, if our lease agreements are challenged by third parties, it could result in diversion of management attention and cause us to incur costs associated with defending such actions, even if such challenges are ultimately determined in our favor.

We have limited business insurance coverage in China.

The insurance industry in China is still at an early stage of development and PRC insurance companies offer only limited business insurance products. As a result, we do not have any business disruption insurance or litigation insurance coverage for our operations in China. Any business disruption, litigation or natural disaster may cause us to incur substantial costs and result in the diversion of our resources, as well as significantly disrupt our operations, and have a material adverse effect on our business, financial position and results of operations.

Certain of our loans may be declared immediately repayable.

Certain of our consolidated controlled entities obtained from a PRC commercial bank loans in the aggregated principal amount of approximately RMB1.1 billion. According to loan agreement, if the borrowers fail to maintain certain financial indicators, the bank will be entitled to declare the loans immediately repayable. Even though we obtained a waiver from the lender indicating that the lender permanently gave up its right to demand payment as a result of the violation as of December 31, 2018, we would be in default at the December 31, 2018 balance sheet date and it is probable that we will be unable to comply with all provisions of the debt agreement for a period of one year from the balance sheet date. As of the date of this annual report, the bank has not indicated its intention for us to immediately repay such loans; however, we cannot assure you that the bank would not change its position and declare such loans immediately repayable in the future, which may adversely affect our liquidity position.

We may be subject to liabilities as a result of the separation and distribution.

We have entered into various business, financing and other contracts in the ordinary course of business. Some of the contracts require us to notify or seek prior consent from the counterparties in connection with material changes to our business operations or corporate structure. We believe that we have carried out our contractual obligations and are not otherwise in material default or violation of those contracts. However, if any contractual counterparties find us in default or violation due to failure to notify them or seek their prior consent in connection with the proposed separation of CIH or otherwise, they may terminate their business relationship with us, declare any repayment obligations immediately due and/or pursue legal actions against us, which may materially and adversely affect our business operations, financial condition and results of operations.

Third party claims, litigation or government investigations to which we may be subject or in which we may be involved may significantly increase our expenses and adversely affect our stock price.

We may be or may be expected to be a party to various third party claims, lawsuits, or government investigations from time to time. For example, in February 2019, we were served with a subpoena from a court in Beijing, in which a third party claimed that a contract we entered into was invalid. Pursuant to such contract, we received certain assets from a debtor's nominee to discharge its indebtedness. The debtor subsequently alleged that such contract was invalid because the transfer price of such assets was below the fair market value. We intend to vigorously contest the allegation. Any lawsuits or government investigations, whether actual or threatened, in which we may be involved, whether as plaintiff or defendant, could cost us a significant amount of time and money, could distract management's attention away from operating our business, could result in negative publicity and could adversely affect our stock price. In addition, if any claims are determined against us or if a settlement requires us to pay a large monetary amount or take other action that materially restricts or impedes our operations, our profitability could be significantly reduced and our financial position could be adversely affected. Our insurance may not be sufficient to cover any losses we incur in connection with litigation claims.

Risks related to our corporate structure

If the PRC government determines that the structure contracts that establish the structure for our business operations do not comply with applicable PRC laws, rules and regulations, we could be subject to severe penalties or be forced to restructure our ownership structure.

As we are a Cayman Islands company and our PRC subsidiaries and their branch companies in China are treated as foreign-invested enterprises under applicable PRC laws, we are subject to ownership limitations as well as special approval requirements on foreign investment. We used to operate under a tighter regulatory regime which was restrictive of foreign investment in advertising and Internet content distribution businesses, except for the further lifting up of value-added telecommunication services by foreign enterprises in China (Shanghai) Pilot Free Zone as otherwise provided. Under the current regulatory regime, Internet content distribution is permitted to operators with less than 50.0% foreign investment and advertising is permitted to all qualified operators. We may consider further optimizing our corporate structure in light of the evolving regulatory environment.

To comply with applicable PRC laws, rules and regulations, we conduct our operations in China primarily through our wholly-owned PRC subsidiaries and our consolidated controlled entities. Our wholly-owned PRC subsidiaries, our consolidated controlled entities (excluding their subsidiaries) and their respective shareholders have entered into a series of contractual arrangements, which consist of exclusive technical consultancy and service agreements, equity pledge agreements, operating agreements, shareholders' proxy agreements, loan agreements and exclusive call option agreements (collectively, the "Structure Contracts"). See "Item 7.B. Major Shareholders and Related Party Transactions—Related Party Transactions—Structure Contracts" of this annual report. As a result of these contractual arrangements, we exercise the ability to control the consolidated controlled entities through our power to direct the activities of consolidated controlled entities that most significantly impact their economic performance, and the obligation to absorb losses of or the right to all the residual benefits of the consolidated controlled entities that could potentially be significant to these entities. Accordingly, we consolidate their results in our financial statements. Our consolidated controlled entities hold the licenses and approvals that are essential to the operation of our Internet content distribution business. As certain agreements with our customers for Internet content distribution were entered into directly with our PRC subsidiaries and not our consolidated controlled entities, there can be no assurance that the PRC government will not deem our Internet content distribution to be in violation of applicable PRC laws, rules and regulations.

On July 13, 2006, MIIT publicly released the Notice on Strengthening the Administration of Foreign Investment in Operating Value-Added Telecommunications Business (the "MIIT Notice"), which reiterates certain provisions under China's Administrative Rules on Foreign-Invested Telecommunications Enterprises prohibiting, among others, the renting, transferring or sale of a telecommunications license to foreign investors in any form. Under the MIIT Notice, holders of valued-added telecommunications business operating licenses, or their shareholders, must also directly own the domain names and trademarks used by such license holders in their daily operations. To comply with this requirement under the MIIT Notice, we have assigned all registered trademarks, trademark applications and domain names relating to "SouFun," "Jia Tian Xia," "Fang.com" and "Fang Tian Xia" to the relevant majority-owned subsidiary or consolidated controlled entities in order to maintain their respective ICP licenses to operate as value-added telecommunication service providers. Due to a lack of interpretative materials from the authorities, we cannot assure you that MIIT will not consider our corporate structure and the contractual arrangements as a kind of foreign investment in telecommunication services, in which case we may be found in violation of the MIIT Notice.

In 2011, various media sources reported that the CSRC prepared a report proposing pre-approval by a competent central government authority of offshore listings by China-based companies with variable interest entity structures, such as ours, that operate in industry sectors subject to foreign investment restrictions. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to variable interest entity structures will be adopted or what they would provide.

On March 15, 2019, the Foreign Investment Law was formally passed by the thirteenth National People's Congress and will take effect on January 1, 2020. For further details of the Foreign Investment Law, please see "—Substantial uncertainties exist with respect to the adoption of new or revised PRC laws relating to our corporate structure, corporate governance and business operations."

If the past or current ownership structures, Structure Contracts and businesses of our company, our PRC subsidiaries and our consolidated controlled entities are found to be in violation of any existing or future PRC laws, rules or regulations, MIIT and other relevant PRC regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of our PRC subsidiaries or consolidated controlled entities, whose business and operating licenses are essential to the operation of our business;
- levying fines and/or confiscating our income or the income of our PRC subsidiaries and/or consolidated controlled entities;
- shutting down our servers or blocking our websites;
- discontinuing or restricting our operations or the operations of our PRC subsidiaries and/or consolidated controlled entities;
- imposing conditions or requirements with which we, our PRC subsidiaries and/or consolidated controlled entities may not be able to comply;
- requiring us, our PRC subsidiaries and/or consolidated controlled entities to restructure the relevant ownership structure, operations or contractual arrangements; and
- taking other regulatory or enforcement actions that could be harmful to our business.

We cannot assure you that the relevant PRC regulatory authorities will not require that we amend our Structure Contracts to comply with the MIIT Notice or that we can restructure our ownership structure without material disruption to our business. In addition, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. The imposition of any of these penalties and the effect of any new PRC laws, rules and regulations applicable to our corporate structure and contractual arrangements could materially disrupt our ability to conduct our business and have a material adverse effect on our financial condition and results of operations.

We cannot assure you that we will be able to enforce the Structure Contracts. Although we believe we are in compliance with current PRC regulations, we cannot assure you that the PRC government would agree that these contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are open to varying interpretations and the relevant government authorities have broad discretion in interpreting these laws and regulations.

Substantial uncertainties exist with respect to the adoption of new or revised PRC laws relating to our corporate structure, corporate governance and business operations.

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which will become effective on January 1, 2020 and replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The Foreign Investment Law embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation, and failure to take timely and appropriate measures to cope with the regulatory-compliance challenges could result in material and adverse effect on us. For instance, though the Foreign Investment Law does not explicitly classify contractual arrangements as a form of foreign investment, it contains a catch-all provision under the definition of "foreign investment", which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our contractual arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our contractual arrangements should be dealt with. In addition, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. In the worst-case scenario, we may be required to unwind our existing contractual arrangements and/or dispose of the relevant business operations, which could have a material adverse effect on our current corporate structure, our listing service business and results of operations.

We may lose the ability to utilize assets held by our consolidated controlled entities that are important to the operation of our business if any of these entities goes bankrupt or becomes subject to a dissolution or liquidation proceeding.

Our wholly-owned PRC subsidiaries are considered foreign-invested enterprises in China and are, therefore, not permitted under PRC law to hold the ICP licenses and to operate the online advertising businesses that are critical to our operations. As a result, our consolidated controlled entities are the holders of the ICP licenses required for operating our websites and our advertising business in China. We do not have any direct or indirect shareholding interests in these consolidated controlled entities. They are instead held directly or indirectly by Mr. Mo, our founder and executive chairman, together with Richard Jiangong Dai ("Mr. Dai"), our former director and former chief executive officer, or Ms. Yu Huang, the chief executive officer of CIH. Mr. Dai is a nephew of Mr. Mo. Each of Mr. Mo, Mr. Dai and Ms. Huang is a PRC citizen. Through the Structure Contracts, we exercise management, financial and voting control over these consolidated controlled entities through our rights to all the residual benefits of the consolidated controlled entities and our obligation to fund losses of the consolidated controlled entities and also have a contractual right, to the extent permitted by PRC laws, rules and regulations, to acquire the equity interests in these entities. Consequently, if any of these consolidated controlled entities goes bankrupt and all or part of its assets become subject to liens or rights of third-party creditors, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our consolidated controlled entities undergoes a voluntary or involuntary liquidation proceeding, the shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

Contractual or other arrangements among our affiliates may be subject to scrutiny by PRC tax authorities, and a finding that we or our affiliates owe additional taxes could substantially reduce our profitability and the value of your investment.

As a result of the Structure Contracts, we are entitled to substantially all of the economic benefits of ownership of the consolidated controlled entities and also bear substantially all of the economic risks associated with consolidated controlled entities. If the PRC tax authorities determine that the economic terms, including pricing, of our arrangements with our consolidated controlled entities were not determined on an arm's length basis, we could be subject to significant additional tax liabilities. In particular, the PRC tax authorities may perform a transfer pricing adjustment, which could result in a reduction, for PRC tax purposes, of deductions recorded by our consolidated controlled entities. Such a reduction could increase the tax liabilities of our consolidated controlled entities without reducing the tax liabilities of our PRC subsidiaries. This increased tax liability could further result in late payment fees and other penalties to our consolidated controlled entities for underpaid taxes. Any of these events could materially reduce our net income.

Contractual arrangements, including voting proxies, with our consolidated controlled entities for our Internet content distribution and marketing businesses may not be as effective in providing operational control as direct or indirect ownership.

Since the applicable PRC laws, rules and regulations restrict foreign ownership in the Internet content distribution and marketing businesses, we conduct our Internet content distribution and advertising businesses and derive related revenues through the Structure Contracts with our consolidated controlled entities. As we have no direct or indirect ownership interest in our consolidated controlled entities, these Structure Contracts, including the voting proxies granted to us, may not be as effective in providing us with control over these companies as direct or indirect ownership. If we were the controlling shareholders of these companies with direct or indirect ownership, we would be able to exercise our rights as shareholders to effect changes in the board of directors, which in turn could effect change, subject to any applicable fiduciary obligations, at the management level. However, if any of our consolidated controlled entities or their shareholders fail to perform their obligations under these contractual arrangements, or if they were otherwise to act in bad faith towards us, we may be forced to (1) incur substantial costs and resources to enforce such arrangements, including the voting proxies, and (2) rely on legal remedies available under PRC law, including exercising our call option right over the equity interests in our consolidated controlled entities, seeking specific performance or injunctive relief, and claiming monetary damages.

Furthermore, pursuant to the equity interest pledge agreements between certain of our PRC subsidiaries and the individual shareholders of our consolidated controlled entities, each individual shareholder of our consolidated controlled entity agrees to pledge his equity interests in the consolidated controlled entities to our subsidiaries to secure the relevant consolidated controlled entities' performance of their obligations under the exclusive technical consultancy and service agreements of the Structure Contracts. The equity interest pledges of shareholders of consolidated controlled entities under these equity pledge agreements have been registered with the relevant local branch of SAIC. The equity interest pledge agreements with the consolidated controlled entities' individual shareholders provide that the pledged equity interest shall constitute security for consulting and service fees under the exclusive technical consultancy and service agreements. The scope of pledge is not limited by the amount of the registered capital of that consolidated controlled entity. However, it is possible that a PRC court may take the position that the amount listed on the equity pledge registration forms represents the full amount of the collateral that has been registered and perfected. If this is the case, the obligations that are supposed to be secured in the equity interest pledge agreements in excess of the amount listed on the equity pledge registration forms could be determined by the PRC court as unsecured debt, which takes last priority among creditors. Such a decision could materially and adversely affect our liquidity and our ability to fund and expand our business.

In anticipation of our originally proposed acquisition of a controlling stake in Chongqing Wanli New Energy Co., Ltd., a PRC company listed on the Shanghai Stock Exchange (stock code: 600847) (“Wanli”) and the sale of a portion of our equity interest in five wholly-owned subsidiaries that operate as our service platforms for online advertising business to Wanli (which was terminated in February 2017), in December 2015, we underwent an internal restructuring, whereby we terminated all of our previous structure contracts and caused Beijing Zhong Zhi Shi Zheng and Jia Tian Xia Network, our wholly-owned PRC subsidiaries, to enter into a series of structure contracts in 2016, or the 2016 Structure Contracts, with our consolidated controlled entities, with terms and conditions substantially similar to those of our previous structure contracts. In February 2017, we terminated the transaction with Wanli in light of substantial regulatory uncertainties in China. Nevertheless, we do not plan to recover the original Structure Contracts before the internal restructuring. Among the 2016 Structure Contracts, Beijing Zhong Zhi Shi Zheng entered into a series of contractual arrangements with certain of our consolidated controlled entities and their nominee shareholders. In anticipation of the separation and distribution in relation to CIH, we terminated the foregoing contractual arrangements between our group and these entities on May 15, 2018, and subsequently caused Beijing Tuo Shi Huan Yu Network Technology Co., Ltd. (“Beijing TuoShi”), our wholly-owned PRC subsidiary, to enter into a new series of contractual arrangements with these consolidated controlled entities in 2018, with terms and conditions substantially similar to the 2016 Structure Contracts. CIH, through its wholly-owned subsidiary, Beijing Zhong Zhi Shi Zheng, has entered into new contractual arrangements with Beijing Zhong Zhi Hong Yuan, which is held by our nominee shareholders, i.e., Vincent Tianquan Mo and Ms. Yu Huang, the chief executive officer of CIH, with terms and conditions substantially similar to those of our previous structure contracts. See “Item 7.B. Major Shareholders and Related Party Transactions—Related Party Transactions—Structure Contracts” of this annual report. We believe that our contractual arrangements with our consolidated controlled entities for our Internet content distribution and marketing businesses are not materially affected by our internal restructuring. We cannot assure you, however, that our current Structure Contracts are as effective as the previous ones in terms of controlling our Internet content distribution and marketing businesses, nor can we assure you that these contractual arrangements will not be further modified. Any modification could potentially adversely affect our control, or result in our loss of control, over the Internet content distribution and marketing businesses. In the event that we are unable to enforce these contractual arrangements, or if we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, our business, financial condition and results of operations could be materially and adversely affected.

Our business may suffer if we fail to carry out our business arrangements related to online video broadcasting related business with certain consolidated controlled entities of our company.

Beijing Technology, which holds licenses of online video recording and broadcasting, entered into a cooperation agreement with certain of our wholly-owned subsidiaries, under which Beijing Technology is responsible for the operation of online video broadcasting, while those subsidiaries are responsible for relevant technical support. During its possession of the domain name “fang.com,” Beijing Technology published online videos by embedding videos on webpages or placing video links on “fang.com.”

Although such business cooperation agreement does not violate current PRC laws and regulations regarding online broadcasting and recording, we cannot assure you that due to any change of laws and regulatory policies, the abovementioned business cooperation agreement will not be deemed void, revocable or unenforceable under then applicable PRC laws amended from time to time or by regulatory authorities in the future. Should any of the above occur, the relevant business of the relevant subsidiaries will be impaired, which would have a material adverse effect on our business, financial condition and results of operations.

Moreover, under the applicable PRC laws, rules and regulations, the failure to maintain licenses of online video recording and broadcasting may subject the entity to various penalties, including confiscation of revenues, imposition of fines and/or restrictions on the entity conducting such activities' business operations, or the discontinuation of their operations.

The shareholders of our consolidated controlled entities may have potential conflicts of interest with us, and if any such conflicts of interest are not resolved in our favor, our business may be materially and adversely affected.

We operate through a number of consolidated controlled entities in China. Mr. Mo, Mr. Dai and Ms. Huang, together hold 100.0% of the equity interest in these consolidated controlled entities. The interests of Mr. Mo, Mr. Dai and Ms. Huang as the controlling shareholders of the consolidated controlled entities may differ from the interests of our company as a whole, as what is in the best interests of our consolidated controlled entities may not be in the best interests of us and our other shareholders. We cannot assure you that when conflicts of interest arise, Mr. Mo, Mr. Dai and Ms. Huang will act in the best interests of our company or that conflicts of interest will be resolved in our favor. In addition, Mr. Mo, Mr. Dai and Ms. Huang may breach or cause our consolidated controlled entities and their respective subsidiaries to breach or refuse to renew the existing contractual arrangements with us. We rely on Mr. Mo, Mr. Dai and Ms. Huang to comply with the laws of China, which protect contracts and provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains. We also rely on Mr. Mo to abide by the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of China and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict between the laws of China and the Cayman Islands regarding which corporate governance regime controls. If we cannot resolve any conflicts of interest or disputes between us and Mr. Mo, Mr. Dai or Ms. Huang, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

In addition, Mr. Dai continued to be a nominee shareholder of our certain consolidated controlled entities following his resignation from our board of directors in February 2016. We did not exercise, nor did we designate any third party to exercise, the call option under the Structure Contracts to acquire from Mr. Dai the equity interests he holds in our consolidated controlled entities. Although the relevant Structure Contracts to which Mr. Dai is a party remain to be effective and binding, we cannot assure you that we will be able to fully exercise our contractual rights against Mr. Dai (e.g., to request him to sell his equity interests in our consolidated controlled entities to us when permitted by applicable PRC laws). Nor can we assure you that Mr. Dai will not act against the best interests of us and our other shareholders in the future since he no longer owes any fiduciary duties to our company. Should we encounter any difficulties in exercising our contractual rights under the Structure Contracts against Mr. Dai to retain our control over such consolidated controlled entities, our business, financial condition and results of operations will be materially and adversely affected.

We are controlled by our significant shareholders and their affiliated entities, whose interests may differ from our other shareholders.

As of March 31, 2019, Mr. Mo may be deemed to have voting and dispositive power with respect to: (1) 510,994 Class A ordinary shares and 11,355,645 Class B ordinary shares owned by Media Partner Technology Limited (“Media Partner”), with respect to Mr. Mo and his family members, (2) 1,138,132 Class A ordinary shares and 10,230,645 Class B ordinary shares owned by Next Decade Investments Limited (“Next Decade”), with respect to Mr. Mo and his family members, (3) 957,264 Class A ordinary shares owned by Safari Group Holdings Limited (“Safari”), (4) 1,472,298 Class A ordinary shares owned by IDG Alternative Global Limited (“IDG Alternative”), and (5) 926,461 Class A ordinary shares owned by Karistone Limited, collectively presenting approximately 29.8% of our outstanding share capital and approximately 71.6% of our voting power under our dual-class ordinary share structure. The shares in Media Partner and Next Decade are held in irrevocable discretionary trusts, for which Mr. Mo acts as a protector. Media Partner and Next Decade could exert substantial influence over the outcome of any corporate transaction or other matters submitted to the shareholders for approval, including mergers, consolidations, the sale of all or substantially all of our assets, election of directors and other significant corporate actions. This concentration of ownership may also discourage, delay or prevent a change in control of our company, which could deprive our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and might reduce the price of our ADSs or notes. These actions may be taken even if they are opposed by our other shareholders, including the investors in the ADSs.

The continuing cooperation of our significant shareholders on an on-going basis, including Media Partner and Next Decade, is important to our businesses. Without their consent or cooperation, we could be prevented from entering into transactions or conducting business that could be beneficial to us. We cannot assure you, however, that the interests of our significant shareholders would not differ from the interests of our other shareholders, including investors in the ADSs.

Risks related to doing business in China

China’s economic, political and social conditions, as well as government policies, could have a material adverse effect on our business, financial condition and results of operations.

Our business and operations are primarily conducted in China. Accordingly, our financial condition and results of operations have been, and are expected to continue to be, affected by the economic, political and social developments in relation to the Internet, online marketing and real estate industries in China. A slowdown of economic growth in China could reduce the sale of real estate and related products and services, which in turn could materially and adversely affect our business, financial condition and results of operations.

The PRC economy differs from the economies of most developed countries in many respects, including: a higher level of government involvement; the on-going development of a market-oriented economy; a rapid growth rate; a higher level of control over foreign exchange; and a less efficient allocation of resources.

While the PRC economy has experienced significant growth since the late 1970s, growth has been uneven, both geographically and among various sectors of the economy. Growth rates in China have lowered in recent years. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. These measures are intended to benefit the overall PRC economy, but may also have a negative effect on us. For example, our business, financial condition and results of operations could be adversely affected by PRC government control over capital investments or changes in tax regulations that are applicable to us.

The PRC economy has been transitioning from a centrally-planned economy to a more market-oriented economy. Although the PRC government has implemented measures since the late 1970s which emphasize the utilization of market forces for economic reform, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

According to the Guiding Opinions on the Pilot Operation of Microfinance Companies (the "Guiding Opinions") jointly issued by the China Banking Regulatory Commission and the PBOC on May 4, 2008, microfinance companies are limited liability companies or joint stock companies established with the capital contribution from natural persons, legal persons and other organizations, which do not accept public deposits and engage in the microfinance business. To set up a microfinance company, an applicant shall submit a formal application to the competent administrative departments at the provincial level. Upon approval, the applicant shall apply to the local branch of the SAIC to obtain a business license for the microfinance company. In addition, the applicant shall complete certain filings with the local police department, the local office of the China Banking Regulatory Commission and the local branch of the PBOC.

According to the Guiding Opinions, a provincial government may launch pilot programs for microfinance companies within prefectural regions of the province only after it designates a department (finance office or other relevant institutions) to be in charge of supervision and administration of microfinance companies and is willing to be responsible for risk management and disposals with respect to microfinance companies. Consequently, microfinance companies are primarily regulated locally by provincial governments under rules and regulations promulgated by the provincial governments.

In November 2009, the provincial government of the Guangxi Zhuang Autonomous Region issued the Management Measures of Microfinance Companies in Guangxi Zhuang Autonomous Region. In 2014, we obtained approvals to engage in the microfinancing business from government authorities of Beihai city, Guangxi Zhuang Autonomous Region.

Pursuant to the Management Measures of Microfinance Companies in Guangxi Zhuang Autonomous Region, Beihai Tian Xia Dai Microfinance Co., Ltd. ("Beihai Tian Xia Dai Microfinance") with microfinancing approvals cannot conduct microfinancing business outside Beihai city. However, Beihai Tian Xia Dai Microfinance has provided loans outside Beihai city. Beihai Tian Xia Dai Microfinance may face the risk of being rectified by relevant authorities.

The discontinuation of any of the preferential tax treatments currently available to us in China could materially and adversely affect our financial condition and results of operations

In March 2007, the National People’s Congress of China enacted the PRC Enterprise Income Tax Law (the “New EIT Law”), which became effective on January 1, 2008 and was amended in February 2017 and December 2018. In April 2008, the relevant PRC governmental authorities issued the Administrative Measures for Certification of High and New Technology Enterprises which was amended in January 2016. “High and new technology enterprises” would be entitled to a statutory tax rate of 15.0%. Currently, ten of our PRC subsidiaries or consolidated controlled entities are qualified as “high and new technology enterprises.” We cannot assure you that our PRC subsidiaries or consolidated controlled entities will continue to be entitled to preferential tax rates as qualified “high and new technology enterprises” under the New EIT Law. We also cannot assure you that the tax authorities will not, in the future, discontinue any of our preferential tax treatments, potentially with retroactive effect. In the event that preferential tax treatment for any of our subsidiaries or consolidated controlled entities is discontinued, the affected entity will become subject to a 25.0% standard enterprise income tax rate, which would increase our income tax expenses and could materially reduce our net income and profitability. See also “Item 5.A. Operating and Financial Review and Prospects—Operating Results—Components of our Results of Operations—Taxation—China” of this annual report.

We may be treated as a resident enterprise for PRC tax purposes under the New EIT Law and therefore be subject to PRC taxation on our worldwide income.

We are incorporated under the laws of the Cayman Islands. Under the New EIT Law and its implementation rules, an enterprise incorporated in a foreign country or region may be classified as either a “non-resident enterprise” or a “resident enterprise.” If any enterprise incorporated in a foreign country or region has its “de facto management bodies” located within the PRC territory, such enterprise will be considered a PRC tax resident enterprise and thus will normally be subject to enterprise income tax at the rate of 25.0% on its worldwide income. The relevant implementing rules provide that “de facto management bodies” means the bodies which exercise substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties and other factors of an enterprise. In April 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (“Circular 82”), which sets forth certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. However, Circular 82 only applies to offshore enterprises controlled by PRC enterprises and not those controlled by PRC individuals or foreigners in China, such as our company. See “Item 10.D. Additional Information—Exchange Controls—Regulations relating to Foreign Exchange, Taxation and Dividend Distribution—Taxation and Dividend Distribution” of this annual report. Substantially all of the members of our management are currently located in China and we expect them to continue to be located in China. Due to the lack of clear guidance on the criteria pursuant to which the PRC tax authorities will determine our tax residency under the New EIT Law, it remains unclear whether the PRC tax authorities will treat us as a PRC resident enterprise. As a result, our PRC legal counsel is unable to express an opinion as to the likelihood that we will be subject to the tax applicable to resident enterprises or non-resident enterprises under the New EIT Law. If we are deemed to be a PRC tax resident enterprise, we will be subject to an enterprise income tax rate of 25.0% on our worldwide income, which would have an impact on our effective tax rate and an adverse effect on our net income and results of operations. The New EIT Law provides that dividend income between qualified resident enterprises is exempt income, which the implementing rules have clarified to mean a dividend derived by a resident enterprise on an equity interest it directly owns in another resident enterprise. It is possible, therefore, that dividends we receive through our offshore subsidiaries from our PRC subsidiaries, would be exempt income under the New EIT Law and its implementing rules if our offshore subsidiaries are deemed to be a “resident enterprise.” If we are deemed to be a PRC tax resident enterprise, we would then be obliged to withhold PRC withholding income tax on the gross amount of dividends we pay to shareholders who are non-PRC tax residents. The withholding income tax rate is 10.0% for non-resident enterprises and 20.0% for non-resident individuals, unless otherwise provided under the applicable double tax treaties between China and the governments of other jurisdictions.

We rely primarily on dividends and other distributions on equity paid by our subsidiaries, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business as well as our liquidity.

As a holding company, we rely primarily on dividends and other distributions on equity paid by our subsidiaries for our cash and financing requirements, which include funds necessary to pay dividends and other cash distributions to our shareholders, service any debt we may incur and to pay our operating expenses. If our subsidiaries incur debt in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us.

Our subsidiaries are primarily entities incorporated and established in China and therefore, are subject to certain limitations with respect to dividend payments. PRC regulations currently allow payment of dividends only out of accumulated profits determined in accordance with accounting standards and regulations in China. Each year, our subsidiaries in China and our consolidated controlled entities are required to allocate a portion of their after-tax profits to their respective reserve funds, until the reserves reach 50.0% of their respective registered capital. Allocations to these reserves and funds can only be used for specific purposes and are not transferable to us in the form of loans, advances or cash dividends. Such restrictions on the ability of our subsidiaries and consolidated controlled entities to transfer funds to us could adversely limit our ability to grow, pay dividends, make investments or acquisitions that could benefit our businesses or otherwise fund and conduct our businesses.

Under the relevant PRC tax law applicable to us prior to January 1, 2008, dividend payments to foreign investors made by foreign-invested enterprises were exempted from PRC withholding tax. However, under the New EIT Law and its implementing rules, non-resident enterprises without an establishment in China, or whose income has no connection with their institutions and establishment inside China, are subject to withholding tax at the rate of 10.0% with respect to their PRC-sourced dividend income, subject to applicable tax agreements or treaties between the PRC and other tax jurisdictions. Similarly, any gains realized on the transfer of shares by such investors are also subject to a 10.0% PRC income tax if such gains are regarded as income from sources within China.

According to the Mainland and Hong Kong Special Administrative Region Arrangement on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “Avoidance of Double Taxation Arrangement”), dividends derived by a Hong Kong resident enterprise from a PRC resident enterprise are subject to withholding tax at the rate of 5.0%, provided that such Hong Kong resident enterprise directly owns at least 25.0% of the equity interest in the PRC resident enterprise. However, under the New EIT Law and its implementation rules, as well as Circular No. 9 issued by SAT in February 2018 (“Circular 9”), dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiaries may be subject to withholding tax at a rate of 10.0% if our Hong Kong subsidiaries cannot be considered as a “beneficial owner” or the main purpose test clause of Avoidance of Double Taxation Arrangement may apply to us.

We hold equity interests in several of our major PRC subsidiaries indirectly through subsidiaries incorporated in Hong Kong. Neither we nor our PRC legal counsel is certain as to whether it is more likely than not that PRC tax authorities would require or permit our Hong Kong-incorporated subsidiaries to be treated as PRC resident enterprises. To the extent that such Hong Kong-incorporated subsidiaries are each considered a “non-resident enterprise” under the Avoidance of Double Taxation Arrangement, dividends derived by such Hong Kong-incorporated subsidiaries from our PRC subsidiaries may be subject to a maximum withholding tax rate of 10.0%. See “Item 10.E. Additional Information—Taxation—Regulation of Foreign Exchange, Taxation and Dividend Distribution—Taxation and Dividend Distribution” of this annual report.

The discontinuation of the previously available exemption from withholding tax as a result of the New EIT Law and its implementing rules have and will increase our income tax expenses and reduce our net income, and may materially reduce our profitability.

PRC regulations on loans to PRC entities by offshore holding companies may affect our ability to capitalize or otherwise fund our PRC operations.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (“SAFE Circular 142”), regulating the conversion by a foreign-invested enterprise of foreign currency registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within China. In addition, SAFE strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of a foreign-invested company. The use of such RMB capital may not be altered without SAFE approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. Violations of SAFE Circular 142 could result in severe monetary or other penalties.

On March 30, 2015, SAFE promulgated the Circular on the Reform of Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (“SAFE Circular 19”), which became effective on June 1, 2015. SAFE Circular 19 abolishes the SAFE Circular 142, providing that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise shall be used for purposes within its approved business scope, and allows a foreign-invested enterprise to use the RMB capital converted from its foreign currency registered capital for equity investments within China. However, such converted RMB capital still cannot be used to repay RMB loans between enterprises under SAFE Circular 19. However, the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (“SAFE Circular 16”) implemented in June 2016 removes the prohibition of using the RMB capital converted from foreign currency registered capital to repay RMB loans between enterprises.

In light of the various requirements imposed by PRC regulations on loans to PRC entities by offshore holding companies, we may not be able to obtain the necessary government approvals with respect to future loans by us to our wholly-owned subsidiaries or consolidated controlled entities or with respect to future capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approvals, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

We may be subject to fines and legal or administrative sanctions in connection with certain historical intra-group funding transactions.

We have occasionally engaged in intra-group funding transactions, including dividend distributions from our consolidated controlled entities and payment advances made by one subsidiary on behalf of another. These transactions are typically deemed as non-interest bearing loans and receivables from the relevant “debtors.”

Pursuant to the General Lending Code implemented in August 1996 by the PBOC, the central bank of China, commercial lending in China must be made by or through a PRC-qualified financial institution as defined under the General Lending Code. As none of the payors in our intra-group transactions is or was at the relevant time a PRC qualified financial institution as defined under the General Lending Code, the PBOC may impose a fine for non-compliance on each of the payors in an amount equal to one to five times the value of any income received from its non-compliance, and the payors may be required to terminate such loans. On August 6, 2015, the Supreme People's Court issued the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (the "Provisions"), which provide that if the purpose of a lending contract concluded between two enterprises is for their business operation, and the lending contract does not contain the circumstances as stipulated in Article 52 of the PRC Contract Law and Article 14 of the Provisions, i.e., those that will result in contracts being null and void, the people's court shall consider such lending contract to be effective. As the General Lending Code has not been repealed and the Provisions were issued by the Supreme People's Court as guidance for courts' trial in private lending cases, it remains uncertain how the General Lending Code will be interpreted and implemented. If the PBOC and/or other governmental authorities decide to apply the General Lending Code and thereby instruct the payors to terminate such transactions, we have to fully repay the funds advanced in such transactions.

Moreover, pursuant to the PRC Foreign Currency Administration Regulations promulgated by the State Council in January 1996, and amended in August 2008, a PRC entity is required to apply for SAFE approval prior to extending commercial loans to offshore entities such as our company. As there is no specific definition of "commercial loans" under the Foreign Currency Administration Regulations and PRC governmental authorities have not issued any implementation rules with respect to the provision of commercial loans to offshore entities, it is not clear whether such provision will be applied to the non-interest bearing loans described above. Under the Foreign Currency Administration Regulations, an entity may be required to correct the violation and be subject to a warning and/or a fine for the violation of the foreign registration administrative regulations. If SAFE determines that the PRC Foreign Currency Administration Regulations do apply to us, it may require us to register the deemed overseas loans and rectify any prior non-compliance by properly obtaining SAFE approval. SAFE may also impose a warning and/or fine based on the PRC Foreign Currency Administration Regulations. We cannot assure you that we will be able to complete the necessary registration and filing procedures required by the PRC Foreign Currency Administration Regulations. In addition, it is not clear whether SAFE may consider the making of payments in Renminbi which should have been made in foreign currency to be foreign currency arbitrage, which may be deemed a violation and may subject a violator to warnings, penalties or other sanctions. Due to a general uncertainty over the interpretation and implementation of the PRC Foreign Currency Administration Regulations as well as the broad enforcement discretion granted to SAFE, we cannot assure you that we will not be subject to such warnings, penalties or other administrative penalties resulting from our intra-group transactions that may be deemed as overseas loans.

According to the New EIT Law, loan arrangements between related parties without interest are not considered arms-length transactions. Therefore, the PRC taxation authorities could impose enterprise income and VAT on the payors for the deemed interest income that would have been derived from our intra-group transactions. The deemed interest rate would be determined by reference to the lending rate over the relevant period published by the PBOC. We cannot assure you that we will not be subject to fines, or legal or administrative sanctions as a result of non-compliance with the General Lending Code and the Foreign Currency Administration Regulations. Further, we cannot assure you that the PRC taxation authorities will not impose enterprise income and VAT taxes on the payors for any deemed interest income with respect to our intra-group transactions. Because the applicable PRC laws, rules and regulations do not provide clear definitions for several key terms and because the relevant PRC regulatory authorities have significant discretion on the interpretation of such matters, we cannot predict the likelihood that the risks described here will materialize.

The PRC legal system embodies uncertainties, which could limit the legal protections available to you and us.

In 1979, the PRC government began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of such legislation has significantly enhanced the protections afforded to various forms of foreign investment in China. Our PRC operating subsidiaries are subject to laws and regulations applicable to foreign-invested enterprises in China. In particular, they are subject to PRC laws, rules and regulations governing foreign companies' ownership and operation of Internet content distribution and advertising businesses as well as of the real estate and microfinancing sectors. Such laws and regulations are subject to change, and their interpretation and enforcement involve uncertainties, which could limit the legal protections available to us and our investors. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement of such laws, or the preemption of local regulations by PRC laws, rules and regulations.

Moreover, China has a civil law system based on written statutes, which, unlike common law systems, is a system in which decided judicial cases have little precedential value. Furthermore, interpretation of statutes and regulations may be subject to government policies reflecting domestic political changes. The relative inexperience of China's judiciary in many cases creates additional uncertainty as to the outcome of litigation. In addition, enforcement of existing laws or contracts based on existing laws may be uncertain and sporadic, and it may be difficult to obtain swift and equitable enforcement within China. All such uncertainties could materially and adversely affect our business, financial condition and results of operations.

Government control of currency conversion may limit our ability to utilize our revenues effectively.

Substantially all of our revenues and operating expenses are denominated in Renminbi. Under applicable PRC law, the Renminbi is freely convertible to foreign currencies with respect to "current account" transactions, but not with respect to "capital account" transactions. Current account transactions include ordinary course import or export transactions, payments for services rendered and payments of license fees, royalties, interest on loans and dividends. Capital account transactions include cross-border investments and repayments of the principal of loans.

Accordingly, our PRC subsidiaries currently may purchase foreign currencies for settlement of current account transactions, including payment of dividends to us, without prior SAFE approval by complying with certain procedural requirements. However, we cannot assure you that the relevant PRC governmental authorities will not limit or eliminate the ability of our PRC subsidiaries to purchase and retain foreign currencies in the future. Foreign exchange transactions under the capital account are still subject to limitations and require approvals from or registration with relevant government authorities. This could affect our PRC subsidiaries' ability to obtain debt or equity financing from outside China, including by means of loans or capital contributions from us.

Since substantially all of our revenues are denominated in Renminbi, including fees and payments from our PRC consolidated controlled entities pursuant to the Structure Contracts, existing and future restrictions on currency exchange may limit our ability to utilize revenues generated in Renminbi to fund expenditures denominated in foreign currencies, including any dividends that our PRC subsidiaries may pay to us in the future.

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

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles ("SAFE Circular 37") on July 4, 2014, which replaced the former circular commonly known as Circular 75 promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." Pursuant to SAFE Circular 37, "control" refers to the act through which a PRC resident obtains the right to carry out business operation of, to gain proceeds from or to make decisions on a special purpose vehicle by means of, among others, shareholding entrustment arrangement. SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015.

We are aware that Mr. Vincent Tianquan Mo, controlling shareholder of Fang and a PRC resident, has not completed the registration as of the date of this prospectus. We have notified all PRC residents or entities who directly or indirectly hold shares in our Cayman Islands holding company and who are known to us as being PRC residents to complete the foreign exchange registrations. However, we may not be informed of the identities of all the PRC residents or entities holding direct or indirect interest in our company, nor can we compel our beneficial owners to comply with SAFE registration requirements. As a result, we cannot assure you that all of our shareholders or beneficial owners who are PRC residents or entities have complied with, and will in the future make, obtain or update any applicable registrations or approvals required by, SAFE regulations. Failure by such shareholders or beneficial owners to comply with SAFE regulations, or failure by us to amend the foreign exchange registrations of our PRC subsidiaries, could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our PRC subsidiaries' ability to make distributions or pay dividends to us or affect our ownership structure, which could adversely affect our business and prospects.

Regulations in China may make it more difficult for us to pursue growth through acquisitions.

On August 8, 2006, six PRC regulatory agencies jointly promulgated the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (the “M&A Rules”), which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules and other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. For example, the M&A Rules require that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, issued by the State Council on August 3, 2008 and was amended on September 19, 2018, are triggered. According to the Notice regarding the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors issued by the General Office of the State Council in February 2011 and the Implementing Rules Concerning Security Review on the Mergers and Acquisitions by Foreign Investors of Domestic Enterprises issued by MOFCOM in August 2011, mergers and acquisitions by foreign investors involved in an industry related to national security are subject to strict review by MOFCOM. These rules also prohibit any transactions attempting to bypass such security review, including by controlling entities through contractual arrangements. We believe that our business is not in an industry related to national security. However, we cannot preclude the possibility that MOFCOM or other government agencies may publish interpretations contrary to our understanding or broaden the scope of such security review in the future. Although we have no current plans to make any acquisitions, we may elect to grow our business in the future in part by directly acquiring complementary businesses in China. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining any required MOFCOM approvals, may delay or inhibit our ability to complete such transactions.

We may be subject to fines and legal or administrative sanctions if we or our PRC citizen employees fail to comply with PRC regulations with respect to the registration of such employees’ share options and restricted share units.

In February 2012, SAFE promulgated the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly-Listed Company (the “Stock Option Rule”). Under the Stock Option Rule, a Chinese entity’s directors, supervisors, senior management officers, other staff, or individuals who have an employment or labor relationship with such Chinese entity and who are granted stock options by an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with SAFE and complete certain other procedures. Our local employees who have been granted stock options are subject to these regulations. We have designated our relevant PRC subsidiaries to handle the registration and other procedures required by the Stock Option Rule. If we or our PRC option holders fail to comply with these rules, we and our PRC option holders may be subject to fines and other legal or administrative sanctions. See “Item 4.B. Information on the Company—Business Overview—Regulation—Regulations relating to Employee Share Options” of this annual report.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies. Enhanced scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

On February 3, 2015, the SAT issued the Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (“Public Notice 7”). According to Public Notice 7, where a non-resident enterprise investor transfers taxable assets through the offshore transfer of a foreign intermediate holding company, the non-resident enterprise investor, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at the rate of up to 10.0%. In addition, Public Notice 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an “indirect transfer” by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a “substance over form” principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10.0% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

Pursuant to the Notice on Issues Relevant to Withholding of Non-PRC Resident Enterprises Income Tax at Source (“SAT Circular 37”) issued by the SAT, which became effective as of December January 1, 2017, transferees are subject to filing obligations and withholding obligations. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our company and other non-resident enterprises in our group may be subject to filing obligations or being taxed if our company and other non-resident enterprises in our group are transferors in such transactions, and may be subject to filing obligations and withholding obligations if our company and other non-resident enterprises in our group are transferees in such transactions, under SAT Circular 37 and Public Notice 7. For the transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be subject to filing obligations and withholding obligations under SAT Circular 37 and Public Notice 7. As a result, we may be required to expend valuable resources to comply with SAT Circular 37 and Public Notice 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company and other non-resident enterprises in our group should not be taxed under these circulars. The PRC tax authorities have the discretion under SAT Circular 37 and Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under SAT Circular 37 and Public Notice 7, our income tax costs associated with such transactions will be increased, which may have an adverse effect on our financial condition and results of operations. We have made acquisitions in the past and may conduct additional acquisitions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Our independent registered public accounting firm is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, and as such, investors may be deprived of the benefits of such inspection.

Our independent registered public accounting firm, KPMG Huazhen LLP, which issues the audit reports included in our annual reports filed with the SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is required by the laws of the United States to undergo regular inspections by PCAOB to assess its compliance with the laws of the United States and professional standards. Our auditor is located in China, a jurisdiction where PCAOB is currently unable to conduct inspections without the approval of the PRC authorities, our auditor is not currently inspected by the PCAOB. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. The joint statement reflects a heightened interest in an issue that has vexed U.S. regulators in recent years. However, it remains unclear what further actions the SEC and the PCAOB will take to address this issue.

Inspections of other firms that PCAOB has conducted outside of China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The inability of PCAOB to conduct inspections of independent registered public accounting firms operating in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

If additional remedial measures are imposed on the Chinese affiliates of the "big four" accounting firms, including our independent registered public accounting firm, in administrative proceedings brought by the SEC alleging the firms' failure to meet specific criteria set by the SEC, with respect to requests for the production of documents, we could be unable to timely file future financial statements in compliance with the requirements of the Exchange Act.

Beginning in 2011, the Chinese affiliates of the "big four" accounting firms (including our independent registered public accounting firm) were affected by a conflict between the U.S. and Chinese law. Specifically, for certain U.S.-listed companies operating and audited in China, the SEC and the PCAOB sought to obtain access to the audit work papers and related documents of the Chinese affiliates of the "big four" accounting firms. The accounting firms were, however, advised and directed that, under Chinese law, they could not respond directly to the requests of the SEC and the PCAOB and that such requests, and similar requests by foreign regulators for access to such papers in China, had to be channeled through the CSRC.

In late 2012, this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the "big four" accounting firms (including our independent registered public accounting firm). A first instance trial of these proceedings in July 2013 in the SEC's internal administrative court resulted in an adverse judgment against the firms. The administrative law judge proposed penalties on the firms, including a temporary suspension of their right to practice before the SEC. Implementation of the latter penalty was postponed pending review by the SEC Commissioners. On February 6, 2015, before a review by the Commissioner had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If the firms fail to follow these procedures and meet certain other specified criteria, the SEC retains the authority to impose a variety of additional remedial measures, including, as appropriate, an automatic six-month bar on a firm's ability to perform certain audit work, commencement of new proceedings against a firm or, in extreme cases, the resumption of the current administrative proceeding against all four firms.

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

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

Fluctuations in the exchange rates of the Renminbi could materially and adversely affect the value of our shares, ADSs or notes and result in foreign currency exchange losses.

Substantially all of our revenues, costs and expenses, are denominated in Renminbi, and the functional currency of our principal operating subsidiaries and consolidated controlled entities is the Renminbi. On the other hand, a portion of our expenditures are denominated in foreign currencies, primarily the U.S. dollar, and we use the U.S. dollar as our reporting currency. The ADSs and our convertible senior notes are also denominated in U.S. dollars. As a result, the value of your investment in our ADSs or notes will be affected by fluctuations in exchange rates, particularly appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar and other foreign currencies, without giving effect to any underlying change in our business or results of operations.

The exchange rates between the Renminbi and the U.S. dollar and other foreign currencies are affected by, among other things, changes in China's political and economic conditions. In July 2005, the PRC government discontinued pegging the Renminbi to the U.S. dollar. However, the PBOC regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate. Between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow range. However, the Renminbi fluctuated significantly during that period against other freely traded currencies, in tandem with the U.S. dollar. Since June 2010, the Renminbi had started to slowly appreciate against the U.S. dollar, though there have been periods when the U.S. dollar has appreciated against the Renminbi. On August 11, 2015, the PBOC allowed the Renminbi to depreciate by approximately 2% against the U.S. dollar. Since October 1, 2016, the Renminbi has joined the International Monetary Fund (IMF)'s basket of currencies that make up the Special Drawing Right (SDR), along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the Renminbi has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. It is therefore difficult to predict how long such depreciation of Renminbi against the U.S. dollar may last and when and how the relationship between the Renminbi and the U.S. dollar may change again. Under China's current exchange rate regime, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that in the future the PRC authorities may lift restrictions on fluctuations in the Renminbi exchange rate and lessen intervention in the foreign exchange market.

There remains significant international pressure on the PRC government to adopt a flexible currency policy. Any significant appreciation or depreciation of the Renminbi may materially and adversely affect our revenues, earnings and financial position, and the value of, and any dividends payable on, our ADSs in U.S. dollars. For example, to the extent that we need to convert U.S. dollars we receive from offshore financing transactions into Renminbi to pay our operating expenses, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. Conversely, a significant depreciation of the Renminbi against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings, which in turn could adversely affect the price of our ADSs. Fluctuations in the exchange rate will also affect the relative value of any dividend we declare and distribute that will be exchanged into U.S. dollars and earnings from and the value of any U.S. dollar-denominated investments we make in the future. To the extent that we need to convert future financing proceeds into Renminbi for our operations, any appreciation of the Renminbi against the relevant foreign currencies would materially reduce the Renminbi amounts we would receive from the conversion. On the other hand, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments of dividends on our shares or for other business purposes when the U.S. dollar appreciates against the Renminbi, the amounts of U.S. dollars we would receive from such conversion would be reduced. In addition, any depreciation of our U.S. dollar-denominated monetary assets could result in a charge to our income statement and a reduction in the value of our assets.

In addition, very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into foreign currency.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China based on United States or other foreign laws against us or our management.

We are a company incorporated under the laws of the Cayman Islands. We conduct our operations in China and substantially all of our assets are located in China. In addition, certain of our directors and executive officers reside in China, and most of the assets of these persons are located within China. As a result, it may not be possible to effect service of process within the United States or elsewhere outside China upon these directors and executive officers, including with respect to matters arising under U.S. federal securities laws or applicable state securities laws. Our PRC legal counsel has advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedure Law based either on treaties between China and the country where the judgment is made or on reciprocity between jurisdictions. Currently, there are no treaties between the United States and China for the recognition or enforcement of U.S. court judgments in China. As a result, recognition and enforcement in China of judgments of a court in the United States or any other jurisdiction in relation to any matter not subject to a binding arbitration agreement may be difficult. Pursuant to the PRC Civil Procedure Law, any matter, including matters arising under U.S. federal securities laws, in relation to assets or personal relationships may be brought as an original action in China, only if the institution of such action satisfies the conditions specified in the PRC Civil Procedure Law. As a result of the conditions set forth in the PRC Civil Procedure Law and the discretion of the PRC courts to determine whether the conditions are satisfied and whether to accept the action for adjudication, there remains uncertainty as to whether an investor will be able to bring an original action in a PRC court based on U.S. federal securities laws. In addition, in the event that foreign judgments contravene the basic principles of laws of China, endanger PRC state sovereignty or security, or are in conflict with the public interest of China, PRC courts will not recognize and enforce such foreign judgments.

Risks related to our ADSs, ordinary shares and notes

The market price movement of our ADSs and notes may be volatile.

The market prices of our ADSs and/or notes may be volatile and subject to wide fluctuations. Among the factors that could affect the prices of our ADSs and/or notes are risk factors described in this section and other factors, including:

- announcements of competitive developments;
- regulatory developments in our target markets in China which affect us, our users, our customers or our competitors;
- actual or anticipated fluctuations in our quarterly results of operations;
- market acceptance of our existing and new services and our expansion from a media platform to media, transaction and financial platforms;
- failure of our quarterly financial and results of operations to meet market expectations or failure to meet our previously announced guidance;
- changes in financial estimates by securities research analysts;
- changes in the economic performance or market valuations of other online or offline real estate and home-related services companies;
- additions or departures of our executive officers and other key personnel;
- announcements regarding intellectual property litigation (or potential litigation) involving us or any of our directors and officers;
- negative publicity and short seller reports that make allegations against us or our affiliates, even if unfounded;
- fluctuations in the exchange rates between the U.S. dollar and the Renminbi;
- fluctuations in short or long-term interest rates; and
- sales or perceived sales of additional ordinary shares, ADSs or notes, including under the registration statement we have on file with the SEC to enable certain of our affiliates to sell their shares.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular industries or companies. For example, the capital and credit markets have experienced significant volatility and disruption in recent years. In September 2008, such volatility and disruption reached extreme levels and developed into a global crisis. As a result, stock prices of a broad range of companies worldwide, whether or not they were related to financial services, declined significantly. Future market fluctuations may also have a material adverse effect on the market prices of our ADSs and/or notes.

We may need additional capital, and the sale of additional ADSs, convertible notes or other equity securities could result in additional dilution to our shareholders, while the incurrence of debt may impose restrictions on our operations.

We believe that our current cash and cash equivalents and anticipated cash flow from operations will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changed business conditions or other future developments, including any investments or acquisitions we may decide to pursue and the expansion of our financial services. If these resources are insufficient to satisfy our cash requirements, we may seek to sell equity or debt securities or obtain a credit facility. The sale of equity securities would result in dilution to our shareholders. The incurrence of indebtedness would result in increased debt service obligations and could require us to agree to operating and financing covenants that would restrict our operations.

As a foreign private issuer, we are permitted to, and we rely on exemptions from certain corporate governance standards of The New York Stock Exchange applicable to U.S. issuers, including the requirement that a majority of an issuer's directors consist of independent directors. This may afford less protection to holders of our ordinary shares, ADSs and notes.

We are a “foreign private issuer” under the securities laws of the United States and the rules of The New York Stock Exchange. Under the securities laws of the United States, “foreign private issuers” are subject to different disclosure requirements than U.S. domiciled registrants, as well as different financial reporting requirements. Under the rules of The New York Stock Exchange, a “foreign private issuer” is subject to less stringent corporate governance requirements. Subject to certain exceptions, the rules of The New York Stock Exchange permit a “foreign private issuer” to follow its home country practice in lieu of the listing requirements of The New York Stock Exchange. The corporate governance practice in our home country, the Cayman Islands, does not require a majority of our board to consist of independent directors or that we have annual meetings to elect directors. We currently rely on the exemptions provided by The New York Stock Exchange to a foreign private issuer and have an audit committee comprised of independent directors, a compensation committee with one non-independent director and a nominating and corporate governance committee with one non-independent director. As a result, you may not have the same protections afforded to stockholders of companies that are subject to all of the corporate governance requirements of The New York Stock Exchange.

As a foreign private issuer, we are exempt from certain disclosure requirements under the Exchange Act, which may afford less protection to our shareholders than they would enjoy if we were a U.S. company.

As a foreign private issuer, we are exempt from, among other things, the rules prescribing the furnishing and content of proxy statements under the Exchange Act. In addition, our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit and recovery provisions contained in Section 16 of the Exchange Act. We are also not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act. As a result, our shareholders may be afforded less protection than they would under the Exchange Act rules applicable to U.S. companies.

Since shareholder rights under Cayman Islands law differ from those under U.S. law, you may have difficulty protecting your shareholder rights.

Our corporate affairs are governed by our fifth amended and restated memorandum and articles of association, the Companies Law of the Cayman Islands (the “Cayman Companies Law”) and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us and to our shareholders under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands.

The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they are under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws as compared to the United States, and some states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States.

As a result, public shareholders of Cayman Islands companies may have more difficulty in protecting their interests in connection with actions taken by management, members of the board of directors or controlling shareholders than they would as public shareholders of a U.S. company.

The voting rights of holders of ADSs are limited by the terms of the deposit agreement.

A holder of our ADSs may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Upon receipt of voting instructions of a holder of ADSs in the manner set forth in the deposit agreement and the restricted deposit agreement pursuant to which ADSs are issuable upon conversion of the notes, the depository will endeavor to vote the underlying ordinary shares in accordance with these instructions. Under our amended and restated articles of association and Cayman Islands law, the minimum notice period required for convening a general meeting is 10 days. When a general meeting is convened, you may not receive sufficient notice to permit you to withdraw your ordinary shares and allow you to cast your vote as a direct shareholder with respect to any specific matter. In addition, the depository and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depository to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depository to vote your shares. Furthermore, the depository and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if the ordinary shares underlying your ADSs are not voted as you requested.

You may not be able to participate in rights offerings and may experience dilution of your holdings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. We cannot offer or sell securities in the United States unless we register those securities under the Securities Act or unless an exemption from the registration requirements of the Securities Act is available. Under the deposit agreement, the depository will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the Securities Act. The depository may, but is not required to, attempt to sell such undistributed rights to third parties in this situation. We can give no assurances that we will be able to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in any rights offerings and may experience dilution of their holdings as a result.

If the depositary is unable to sell rights that are not exercised or not distributed or if the sale is not lawful or reasonably practicable, it will allow the rights to lapse, in which case you will receive no value for these rights.

You may not receive distributions on ordinary shares or any value for them if it is illegal or impractical to make them available to you.

The depositary for our ADSs has agreed to pay to you the cash dividends or other distributions it or its custodian receives on ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. For example, as of the date of this annual report, five ADSs represent one Class A ordinary share. However, the depositary is not required to make such distributions if it decides that it is unlawful or impractical to make a distribution available to any holder of ADSs. For example, it would be unlawful to make a distribution to holders of ADSs if it consisted of securities that required registration under the Securities Act, but were not properly registered or distributed pursuant to an applicable exemption from registration. It could also be impracticable to make a distribution if doing so would entail fees and expenses that would exceed the value of the distribution or the distribution consisted of property that could not be transported or transferred. We have not undertaken any obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities that may be distributed to our shareholders. We also have not undertaken any obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive any distribution we make on our ordinary shares or any value for it if it is illegal or impractical for us to make such distribution available to you, such as if an exemption from registration under the U.S. securities laws is not available. These restrictions may decrease the value of your ADSs.

We may be required to withhold PRC income tax on any dividend we pay you, and any gain you realize on the transfer of our ordinary shares and/or ADSs may also be subject to PRC withholding tax.

Pursuant to the New EIT Law, we and our offshore subsidiaries may be treated as a PRC resident enterprise for PRC tax purposes. See “—Risks related to doing business in China—We may be treated as a resident enterprise for PRC tax purposes under the New EIT Law and therefore be subject to PRC taxation on our worldwide income.” If we and our offshore subsidiaries are so treated by the PRC tax authorities, we would be obligated to withhold a 10.0% PRC withholding tax for non-resident enterprises or a 20.0% PRC withholding tax for non-resident individuals, or a withholding tax at a reduced rate as provided under the applicable double tax treaty between China and the governments of other jurisdictions on any dividend we pay to you, subject to completion of the record-filing procedures and approval from the relevant tax authorities, pursuant to a Circular No. 124 issued by SAT in August 2009 (“Circular 124”).

On November 1, 2015, Circular 124 was repealed by the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers issued by SAT (“Circular 60”). Circular 60 provides that non-resident taxpayers are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax rate. Instead, they may, upon self-assessment that the prescribed criteria are met, submit the relevant statements and materials directly to the competent tax authorities for the tax return filing, which will be subject to post-filing examinations by the relevant tax authorities.

In addition, any gain realized by any investors who are non-resident enterprises or non-resident individuals of China from the transfer of our ordinary shares, ADSs and/or notes could be regarded as being derived from sources within China and be subject to a 10.0% or 20.0% PRC withholding tax, respectively. Such PRC withholding tax would reduce your investment return on our ordinary shares, ADSs and/or notes and may also materially and adversely affect the prices of our ADSs and/or notes.

Our dual-class ordinary share structure with different voting rights could discourage others from pursuing any change of control transactions that holders of our Class A ordinary shares and ADSs may view as beneficial.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to 10 votes per share. Five ADSs represent one Class A ordinary share and the number of votes to which each ADS would be entitled to is the number of Class A ordinary shares it represents. A number of our shareholders, including primarily Media Partner and Next Decade, whose shares are held in irrevocable discretionary trusts established by Mr. Mo, hold Class B ordinary shares. We intend to maintain the dual-class ordinary share structure. Each Class B ordinary share is convertible into one Class A ordinary share at any time by its holder and Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a Class B ordinary shareholder to any person or entity which is not a majority-owned and majority-controlled subsidiary of certain of our shareholders as set forth in our amended and restated articles of association, such Class B ordinary shares will be automatically and immediately converted into the equal number of Class A ordinary shares.

Due to the disparate voting powers attached to these classes of shares, our shareholders holding Class B ordinary shares have significant voting power over matters requiring shareholder approval, including election of directors and significant corporate transactions, such as a merger or sale of our company or our assets. This concentrated control could discourage others from pursuing any potential merger, takeover or other change-of-control transactions that holders of Class A ordinary shares and ADSs may view as beneficial.

Our articles of association contain anti-takeover provisions that could adversely affect the rights of holders of our ordinary shares and ADSs

We have included certain provisions in our current articles of association that would limit the ability of others to acquire control of our company. These provisions could deprive our shareholders of the opportunity to sell their ordinary shares at a premium over the prevailing market price by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transactions. These provisions include the following:

- A dual-class ordinary share structure; and
- Our board of directors, without further action by our shareholders, may issue preferred shares with special voting rights compared to our ordinary shares.

Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

We may incur more debt or take other actions which would intensify the risks discussed above.

We and our subsidiaries and consolidated controlled entities may incur substantial additional debt in the future, some of which may be secured debt. We will not be restricted under the terms of the indenture governing the notes from incurring additional debt, securing existing or future debt, recapitalizing our debt or taking a number of other actions that are not limited by the terms of the indenture governing the notes that could have the effect of diminishing our ability to make payments on the notes when due.

We may not have the ability to raise the funds necessary to repurchase the 2022 Notes upon a fundamental change (as defined in the relevant note documents), and our future debt may contain limitations on our ability to repurchase the notes.

Holders of certain of our outstanding notes will have the right to require us to repurchase their notes upon the occurrence of a fundamental change (as defined in the relevant note documents) at a repurchase price equal to 100.0% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest under certain circumstances. However, we may not have enough available cash or be able to obtain financing at the time we are required to make repurchases of notes surrendered therefor. In addition, our ability to repurchase the notes may be limited by law, by regulatory authority or by agreements governing our future indebtedness. Our failure to repurchase notes at a time when the repurchase is required by the relevant note documents would constitute a default under such documents. A default under the relevant note documents or the fundamental change itself could also lead to a default under agreements governing any future indebtedness. If the repayment of any future indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay the indebtedness and repurchase the notes.

The future sale of substantial amounts of ADSs and/or convertible notes could lower the market price for the ADSs and/or our outstanding notes, as the case may be.

Sales of substantial amounts of ADSs and/or notes that may be converted or exchanged into ADSs or ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the market price of our ADSs, could materially impair our ability to raise capital through equity offerings in the future and could adversely impact the trading price of the ADSs and/or the notes. The ADSs outstanding not held by our affiliates are freely tradable without restriction or further registration under the Securities Act, and shares held by our affiliates may also be sold in the public market in the future subject to the restrictions in Rule 144 under the Securities Act. We may also issue additional options in the future which may be exercised for additional ordinary shares and additional restricted shares and restricted share units. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of the ADSs or the trading price of the notes.

We may become a passive foreign investment company (“PFIC”), which could result in adverse U.S. tax consequences to U.S. investors.

A non-U.S. corporation is deemed a PFIC for any taxable year if either (1) at least 75% of its gross income for such year is passive income, or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets) during such year is attributable to assets that produce passive income or are held for the production of passive income. We operate an active real estate Internet portal in China. Based on the market price of our ADSs, the value of our assets, and the composition of our income and assets, we do not believe we were a PFIC for the taxable year ended December 31, 2018. The determination of whether a non-U.S. corporation is a PFIC is made on an annual basis after the close of each tax year. There can be no assurance that we will not be a PFIC for our current taxable year or any future tax year. One consequential factor affecting the outcome of annual PFIC determination in current and future tax years will be our market capitalization. Because items of working capital are generally treated as passive assets for PFIC purposes, accumulating cash, cash equivalents and other assets such as short-term and long-term investments that are readily convertible into cash increases the risk that we will be classified as a PFIC for U.S. federal income tax purposes. A determination that we are a PFIC could result in adverse U.S. tax consequences to you if you are a U.S. taxpayer and own our ADSs or ordinary shares, in the form of increased tax liabilities and burdensome reporting requirements. For example, if we were a PFIC, you would generally be taxed at the higher ordinary income rates, rather than the lower capital gain rates, if you dispose of ADSs or ordinary shares at a gain in a later year, even if we are not a PFIC in that year. In addition, a portion of the tax imposed on your gain would be increased by an interest charge. Certain elections may be available to certain of our holders, however, that would mitigate these adverse tax consequences to varying degrees. Also, if we were classified as a PFIC in any taxable year, you would not be able to benefit from any preferential tax rate (if any) with respect to any dividend distribution that you may receive from us in that year or in the following year. Since our business and assets may evolve over time in ways that are different from what we currently anticipate, we cannot assure you that we will not be a PFIC for our current taxable year or any future taxable year. For more information on the tax consequences to you if we were treated as a PFIC, see “Item 10.E. Additional Information—Taxation—U.S. federal income taxation” of this annual report.

ITEM 4. INFORMATION ON THE COMPANY

A. History and Development of the Company

We were incorporated on June 18, 1999 as Fly High Holdings Limited, under the laws of the British Virgin Islands, and on July 14, 1999, we changed our name to SouFun.com Limited. On June 17, 2004, we changed our corporate domicile to the Cayman Islands, becoming a Cayman Islands exempted company with limited liability. On June 22, 2004, we changed our name to SouFun Holdings Limited. On September 23, 2016, we changed our name to Fang Holdings Limited. Since our inception, we have conducted our operations in China primarily through our PRC subsidiaries and consolidated controlled entities.

On September 17, 2010, we completed our initial public offering and listing of 2,933,238 ADSs, each representing four Class A ordinary shares, on the New York Stock Exchange, which are traded under the symbol of “SFUN.” Concurrently with our initial public offering, our majority shareholder, Telstra International Holdings Ltd. (“Telstra International”), an indirect, wholly owned subsidiary of Telstra Corporation Limited, a Fortune Global 500 company, sold to General Atlantic Mauritius Limited (“General Atlantic”), Hunt 7-A Guernsey L.P. Inc. (“Hunt 7-A”), Hunt 7-B Guernsey L.P. Inc. (“Hunt 7-B”), Hunt 6-A Guernsey L.P. Inc. (“Hunt 6-A,” together with Hunt 7-A and Hunt 7-B, “Apax”), Next Decade and Digital Link Investments Limited (“Digital Link”), all of its remaining shares in our company in a private sale at the initial public offering price.

On February 18, 2011, we changed our ADS share ratio from one ADS representing four Class A ordinary shares to one ADS representing one Class A ordinary share.

On April 7, 2014, we changed our ADS share ratio from one ADS representing one Class A ordinary share to five ADSs representing one Class A ordinary share.

On July 19, 2018, Fang we entered into definitive agreements to acquire a 10% equity interest in Wanli from its controlling shareholder for a cash consideration of RMB500 million, of which RMB200 million will compensate the seller in connection with the Business Disposal (defined below). In connection with the acquisition, the seller agrees agreed (1) to enter into an irrevocable voting proxy agreement with a term of three years to adhere to our action in Wanli's future meetings of shareholders and board of directors and (2) to purchase from Wanli its battery business for a price of no less than RMB680 million within three years after the consummation of the acquisition (the "Business Disposal"). Following the completion of the acquisition on August 10, 2018, we have become the largest shareholder of Wanli.

On May 2, 2019, our board of directors approved our plan to separate CIH into an independent publicly traded company, whose business will comprise certain portions of our listing and value-added services. On May 10, 2019, CIH publicly filed its registration statement on Form F-1 with SEC to effect the proposed separation and distribution.

Our principal executive offices are located Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing 100070, the People's Republic of China. Our telephone number at this address is +8610 5631 8000. Our website address is www.fang.com. We do not incorporate the information on our website into this annual report.

B. Business Overview

Overview

We believe we operate a leading real estate Internet portal in China in terms of the number of page views and visitors to our websites in 2018. Our user-friendly websites and mobile apps support active online communities and networks of users seeking information on, and services for, the real estate and home-related sectors in China. Our service offerings include:

- *Marketing services:* We offer marketing services on our websites and mobile apps, mainly through advertisements, to real estate developers in the marketing phase of new property developments, as well as to real estate agencies and suppliers of home furnishing and improvement and other home-related products and services who wish to promote their products and services. Marketing services were our largest source of revenues in 2018.
- *Listing services:* We offer basic and special listing services on our websites and mobile apps. Our basic listing services are primarily offered to real estate agents, brokers, developers, property owners and managers and suppliers of home furnishing and improvement and other home-related products and services. Our basic listing services allow our customers to post information of their products and services on our websites. Our special listing services offer specialized marketing programs through both online channels and offline themed events. Listing services were our second largest source of revenues in 2018.
- *Financial services:* We provide financial services primarily through our offline micro loan subsidiaries. We provide primarily secured consumer loans to individuals that meet our credit assessment requirements. We launched financial services in August 2014.
- *E-commerce services:* Our e-commerce services primarily include Fang membership services, direct sales services for new homes and online sublease services. We provide both free and paid Fang membership services to our registered members. Our free services include primarily regular updates regarding local property developments, tours to visit property developments and other services relating to property purchases. Our paid services primarily include offers to purchase properties at a discount from our partner developers and dedicated information and related services to facilitate property purchases. We ceased entering into new contracts for our direct sales services for new homes, online home-decorating services and online real estate brokerage services in 2018 due to the change in our business development strategies.

- *Value-added services:* We provide value-added services including subscription services for access to our information database and consulting services for customized and industry-related research reports and indices.

We have built a large and active community of users, who are attracted by the comprehensive real estate and home related content available on our portal that forms the foundation of our service offerings. We currently maintain approximately 65 offices across China to focus on local market needs. Our user base has also attracted numerous customers, which include real estate developers, real estate agents and brokers, property owners, property managers, mortgage brokers, lenders and suppliers of home furnishing and improvement and other home-related products and services. Our diverse offerings and broad geographic coverage have resulted in an active and dynamic online community that provides an effective and targeted channel for advertisers to market their products and services, and serves as a centralized source of information, products and services for consumers in the real estate and home furnishing and improvement and other home-related markets. With our leading Internet portal, we believe that we are well positioned to develop integrated media and financing platforms, increase synergy and capture additional growth opportunities in the real estate market in China.

Following the completion of the proposed separation of CIH from us, CIH will have the exclusive right to operate the spun-off business comprising certain portions of Fang's listing and value-added services, and Fang will have the exclusive right to operate the retained business. In particular, the spun-off business will comprise (1) certain information and analytics services, initially operated as part of our value-added services, and (2) certain marketplace services, initially operated as part of our listing services. Following the proposed separation and distribution, CIH will strategically focus on serving the commercial property sector in China to capture the enormous market opportunity from its rapid development, while we will retain our business operating a real estate Internet portal focusing primarily on serving the residential property sector.

Our Services

We provide (1) marketing services, (2) listing services, (3) financial services, (4) e-commerce services and (5) value-added services to participants in the PRC real estate and home-related sectors primarily through our websites and our mobile apps.

Marketing Services

We target our marketing services toward participants in China's real estate and home-related sectors. Marketing is one of our most important businesses. Revenues from marketing services were US\$165.4 million, US\$149.3 million and US\$119.7 million in 2016, 2017 and 2018, respectively, representing 18.1%, 33.6% and 39.5% of our revenues, respectively. Our marketing services are delivered through our website www.fang.com and our mobile apps, which can be downloaded for both iOS- and Android-based operating systems, and include traditional Internet advertisements such as banners, links, logos and floating signs, as well as featured promotions, which are specially-tailored packages of traditional online advertising tools. Customers of our marketing services include a broad range of participants in the PRC real estate and home-related sectors, such as:

- real estate developers;

- real estate professionals, such as agents and brokers;
- retailers and other suppliers of home furnishing and improvement products and services; and
- home design, decoration and re-modeling companies.

We also combine traditional online advertising tools with new marketing strategies to create featured promotion packages for our customers. Using the inherent flexibility of website advertising, we create customized marketing and promotional packages with additional features at the request of our customers to meet the different needs of various customers operating in diverse geographic markets in China. We believe that we have the opportunity to provide additional features to generate additional revenues without incurring significant additional costs. Marketing services have been and will continue to be a growth area for us, as we believe that participants in China's real estate and home-related sectors are increasingly looking to the Internet and mobile apps as an additional vehicle through which to attract customers.

We generally enter into two main types of marketing contracts with our customers. The first type is a framework contract prescribing the total payment amount and price of products. The second type is an order contract with payment due within 90 days of the execution of the contract. Our marketing framework contracts generally have a one-year term.

Listing Services

Our listing services include basic listing services and special listing services on our websites and mobile apps. Our revenues from listing services were US\$118.1 million, US\$165.4 million and US\$113.5 million in 2016, 2017 and 2018, respectively, representing 12.9%, 37.2% and 37.5% of our total revenues in those years, respectively.

Basic Listing Services. Basic listing services contributed approximately 78.0%, 85.0% and 74.4% of our listing service revenues in 2016, 2017 and 2018, respectively. Real estate agents, brokers, managers, developers, owners and suppliers of home furnishing and improvement products and services subscribe to our basic listing services for a fee, which allow them to post listings for properties or home furnishing and improvement products and services over the subscription periods. All visitors to our websites and mobile apps have access to listing information free of charge.

Most of our basic listing subscription contracts are one to three months in duration. We typically collect payments for such subscriptions for our basic listing services before the signing of a subscription contract. We also offer longer arrangements, such as to certain large real estate agencies. For subscription contracts with longer terms, the contract prices are generally payable in installments every one to three months until the end of the contract term.

We offer free trials of our basic listing services. These free trials allow users to experience our basic listing services and high user traffic. While there is no time restriction on our free trials, there are incentives for free trial users to upgrade their free trial accounts to paid subscriptions for our basic listing services because listings posted through free trial accounts are featured in less prominent positions and rankings than those of subscribers. The average number of paying subscribers to our listing services was 211,280, 265,649 and 206,250 in 2016, 2017 and 2018, respectively.

In addition, we allow individual property owners to list their own properties for sale or rent on our property listing sections without charge. Such free listings do not enjoy prime positioning and are strictly limited to individual, non-real estate professional home owners. To help prevent real estate professionals from abusing the individual property owner basic listing service, we have created a customer hotline for our users to report any abuse.

Our basic listing services help us build our comprehensive database of information regarding new, secondary and rental properties as well as home furnishing and improvement products and services in major urban centers across China. The large amount of our basic listings attracts significant user traffic on our websites and mobile apps, which we believe can be leveraged to yield more marketing and special listing customers and higher marketing and special listing fees from our institutional customers.

We update the listing data on our websites and mobile apps on a daily basis through our proprietary content management process and software. This proprietary content management process is monitored by our listing monitoring team and allows our customers to submit listing information in a specific format. Our listing monitoring team periodically checks all listing information uploaded to our websites and mobile apps to identify common anomalies in posted information in order to limit unreliable data. Once we discover false information in a listing, we liaise with the real estate agent or broker to rectify the listing immediately. If such listing information is not revised on a timely basis, we will move it into a database that cannot be accessed by our users.

Special Listing Services. Special listing services are specialized marketing campaigns provided primarily to developers through online channels and offline themed events. Revenues from special listing services were US\$26.4 million, US\$24.9 million and US\$29.1 million in 2016, 2017 and 2018, respectively, representing 22.0%, 15.0% and 25.6% of our listing service revenues in those years, respectively.

Leveraging our data analytical capabilities, we assess the strengths of the brands of companies in various real estate sectors and create a special listing campaign to recognize the leading companies in those sectors. Once the special listing campaigns are determined, we establish a marketing and promotional program consisting of various online and offline promotional activities, which together collectively promote each special listing campaign. The program includes online marketing platforms such as our websites and WeChat and offline themed events such as conferences, discussion forums and banquets. Prior to the launch of a special listing campaign, our marketing and sales staff directly contact the targeted leading companies to solicit their participation in the special listing programs for a specified fee. We also provide our customers with periodical updates on industry developments to help them formulate brand management strategies. The duration of our special listing services typically lasts one year. Some examples of our special listing campaigns include events and promotions for the top 100 PRC property developers and the China Villa Festival. For details, see “—Brand Awareness and Marketing—Event Sponsorships” below.

Financial Services

Revenues from financial services were US\$29.6 million, US\$12.1 million and US\$18.1 million in 2016, 2017 and 2018, respectively, representing 3.2%, 2.7% and 6.0% of our revenues, respectively.

We primarily provide secured consumer loans to individuals that meet our credit assessment requirements. We generally charge borrowers both interest and service fees. We assess each individual loan receivable for impairment on a quarterly basis. As part of our impairment assessment, we consider the timeliness of collection to date, changes in the value of collateral provided by the borrowers and expected default rates.

We obtained approvals to engage in the microfinancing business from government authorities of four cities, including Beihai, Shanghai, Chongqing and Tianjin.

E-commerce Services

Our e-commerce services, first launched in 2011, primarily include Fang membership services, direct sales services for new homes and online sublease services. Our revenues generated from e-commerce services were US\$577.7 million, US\$87.8 million and US\$15.4 million in 2016, 2017 and 2018, respectively, representing 63.0%, 19.8% and 5.0% of our revenues, respectively. We ceased entering into new contracts for our direct sales services for new homes, online home-decorating services and online real estate brokerage services in early 2018 due to the change in our business development strategies.

Fang Membership Services. We provide both free and paid membership services to the registered members of our Fang cards on our websites and mobile apps. Our free services include primarily regular updates regarding local property developments, tours to visit property developments and other services relating to properties purchases. Our paid services primarily include offers to home buyers to purchase properties with discounts from our partner developers and dedicated information and related services to facilitate property purchases, which we began to offer in 2011. Our membership fees for paid services generally range from RMB5,000 to RMB20,000. The discount is reflected as a fixed amount off, or a percentage discount to, the total purchase price paid by a home buyer for a specified property, or a combination of both, which is determined by us and our partner developers. The discounts are significantly higher than our membership fees, resulting in net savings for our members. Membership fees are refundable until our members use the discounts to purchase properties or pursuant to our refund policy. Our members pay a specified fee each time in order to be eligible for the discount provided for a particular property. To promote our services and reach additional customers, we may promote the property developments through other advertising channels and pay real estate agents for customer referrals. In 2018, we offered paid Fang membership services covering approximately 103 property developments in 30 cities in China. Our revenues from Fang membership services totaled US\$114.7 million, US\$10.3 million and US\$2.8 million in 2016, 2017 and 2018, respectively, or 12.5%, 2.3% and 0.9%, respectively, of our total e-commerce revenues for the same periods.

Online Real Estate Brokerage Services. We launched our online real estate brokerage services in January 2015, which were offered in 28 major urban centers in China, such as Beijing, Shanghai, Guangzhou, Shenzhen, Chengdu, Chongqing, Wuhan and Nanjing. We acted as an intermediary between sellers and buyers of secondary real properties, and our services primarily included property listing, advisory services and transaction negotiation and documentation. In addition to property sales, we also assisted property owners and potential renters with leasing transactions. Different from conventional real estate brokers in China, we did not maintain extensive physical sales offices and instead relied primarily on our websites and mobile apps to source customers. Our revenues from online real estate brokerage services totaled US\$248.9 million and US\$35.8 million in 2016 and 2017, respectively, or 27.2% and 8.1%, respectively, of our total revenues for the same periods. We suspended our online real estate brokerage services in early 2018 due to our transformation back to a technology-driven open platform.

Direct Sales Services. We launched our direct sales services in August 2014. We promote property developments of our developer clients primarily through our websites and mobile apps. Different from our Fang membership services, potential individual buyers can register with us free of charge if they are interested in any real estate properties covered by our direct sales services. In addition, individual buyers can enjoy discounted prices for properties that we offer from our developer clients. We charge our developer clients a fee for each property they sold through our direct sales services. Our fee generally is a predetermined percentage of the value of the individual transaction and is refundable pursuant to our refund policy. Our revenues from direct sales services totaled US\$152.1 million, US\$26.9 million and US\$5.3 million in 2016, 2017 and 2018, respectively, or 16.6%, 6.1% and 1.7%, respectively, of our total revenues for the same periods.

Online Sublease Services. We launched our online sublease services in the second quarter of 2015. We promote and market real properties leased from third parties on our websites and mobile apps, and sublease such properties to our customers for rental fees.

Value-added Services

In addition to listing, marketing, e-commerce and financial services, we also provide value-added services which primarily include subscriptions to our information database and research reports services. Revenues from value-added services were US\$25.6 million, US\$29.8 million and US\$36.4 million in 2016, 2017 and 2018, respectively, representing 2.8%, 6.7% and 12.0% of our total revenues, respectively. We utilize our extensive PRC real estate database, data analytics and research capabilities to provide online content relating to the real estate sector through our websites and mobile apps, such as real estate database access, research services, real estate industry and company-specific research reports. Our customers include PRC real estate enterprises, industry professionals as well as government entities.

Our Websites

Our principal website, www.fang.com, is the leading real estate Internet portal and one of the leading home furnishing and improvement websites in China in terms of visitor traffic. As part of our effort to promote our brand recognition, we changed the address of our principal website from www.soufun.com to www.fang.com in July 2014. “Fang” means “home” in Chinese. We believe that this new and simplified address will be much easier for Chinese users to remember and access, thereby improving our brand recognition. According to our own records, www.fang.com received a monthly average of approximately 123 million unique visitors in the fourth quarter of 2018. In addition, we had approximately 96 million registered members of our www.fang.com website and had about 25 million registered members of our free and paid Fang membership services as of December 31, 2018.

As of December 31, 2018, our www.fang.com website contained contents covering more than 658 cities across China, as well as Hong Kong, Taiwan, Singapore, Japan, United States, Canada, Australia, United Kingdom and Spain. This website also contains links to other specialized real estate and home furnishing and improvement websites, including our www.jiatx.com website, our e-commerce transaction and payment platform.

We believe user satisfaction ultimately rests on the appeal, attraction and functionality of our websites. Our Internet technology and sales and marketing teams spend considerable time and resources upgrading and enhancing our websites based on market trends and feedback from users and our marketing and listing customers. We distinguish ourselves from other websites focused on real estate and home-related products and services through the quality and breadth of our content. We also maintain a centralized customer service hotline and e-mail reporting system through which users can obtain assistance or otherwise contact us.

Our www.fang.com website covers a wide spectrum of PRC real estate and home furnishing and improvement and other home-related information and constitutes the foundation and gateway for our primary business activities. We aim at providing a central forum of reliable information regarding China's real estate and home-related markets that is helpful to market participants in the transaction process. Our content, which is generally free to our website users, is designed to assist users with each step of the real estate and home furnishing and improvement and other home-related transaction process. Our extensive home-related content and information is organized into the following sections and categories on our website, which are intended to address the individual needs of our users.

Online Property Listings and Search Engines for New Home and Secondary and Rental Properties

Our www.fang.com website contains databases for new home, secondary and rental properties, and provides search engines on such properties in our databases.

With our on-the-ground capabilities in approximately 65 offices in China, we devote significant resources to collect first-hand real estate market intelligence and listing information in such markets and to update such information on a regular basis. Our user-friendly search engines and website interfaces allow users to tailor their searches to specific types of properties by using search criteria. Users seeking information on properties in specific geographic locations can narrow their searches to a specific city and often to specific districts or areas in the vicinity of a particular subway line within that city by using pull-down menus. Users can further refine their searches using selection criteria, including price range, type of property, number of rooms and size. After selecting search parameters, users are directed to a page listing available properties as well as basic information about each individual property, including location, price, number of rooms and the source of the listing.

Information on Home Related Products and Services

Our www.fang.com website contains information regarding design firms, contractors, do-it-yourself projects, building materials and a wide range of products and services relevant to home decoration and re-modeling, furniture and other home furnishing and services. We provide an efficient platform for companies in the home-related sector, which primarily include suppliers of furnishing and improvement products and services and are usually small in size, to promote their brands and establish their presence on the Internet. We also provide search tools enabling visitors to search for specific businesses by area of expertise, product or service category. For example, a visitor interested in searching for suppliers and installers of window products in Beijing can use our pull-down search tools to focus their search for businesses providing such products and services.

Other pull-down menus allow visitors to view numerous design concepts, model interior decoration plans or other home improvement ideas. After selecting search parameters, users are directed to a page listing applicable home furnishing and improvement products and services as well as basic information about each home furnishing and improvement product or service, including price, product and service information and the source of the information. Much of the content, pictures and graphics are provided by other users of the website, which allows people interested in home decoration and furnishing to share ideas and information online. Users can also use this section to find and compare the work and experience of architects and interior designers.

Real Estate Database and Information

Our website provides an extensive database for users to search real estate information, as well as general research reports regarding the PRC real estate industry at both the national and regional levels. The research section of our website provides research coverage of different topics within the PRC real estate industry. For example, our research database contains information on topics such as real estate projects, land information, real estate financing information, real estate-related laws and regulations and real estate public company information. We believe our research section serves to raise our profile as experts on the PRC real estate industry. Supported by a dedicated research team and an advisory board of leading real estate experts and industry professionals, our research section offers a collective body of knowledge that we believe is well-known in the PRC real estate industry.

Online Residential Communities

We offer online residential community services through our website, www.fang.com. Such online residential community services provide a forum for visitors to share personal views, anecdotes and other information regarding different aspects of the PRC real estate market, specific property developments and residential communities and other subjects. They also provide a platform for conducting real estate and home furnishing and improvement and other home-related transactions online. We believe our electronic bulletin board forums, blogs and other online community-oriented services are valuable means for enhancing loyalty and brand awareness among our users by creating virtual communities sharing a common interest in PRC real estate and home-related topics. In addition to using such forums to increase website traffic, we are also exploring ways to generate new revenue streams from our online forums and community-oriented services.

Our Mobile Apps

We have developed a series of mobile apps to meet the diverse needs of home buyers, renters and real estate agents. As of March 31, 2019, we had approximately ten iOS and seven Android-based mobile apps, respectively. These mobile apps are downloadable through our websites and major app stores in China. At the end of 2018, approximately 76% of the daily active users were accessing our contents through our mobile platform (including WAP and mobile apps).

Our National Coverage

Currently we provide real estate-related content, search services, marketing and listing coverage of more than 658 cities across China and have on-the-ground personnel located in approximately 65 offices nationwide. In addition, we began to offer e-commerce services in 2011, and our Fang membership services had already extended to 98 cities as of December 31, 2018. We believe this extensive nationwide coverage enhances our national brand image, and enables us to deliver consistent and quality listing, marketing and e-commerce services to customers. The real estate industry is inherently a local industry, and online listing and online marketing services targeted at the real estate industry are most effective when delivered by personnel familiar with and experienced in the relevant local markets. Our local personnel also provide our central office staff with valuable data regarding these local real estate markets, which contributes to our knowledge and expertise about real estate markets throughout China. In addition, our network of branch offices helps us to tailor our listing, marketing and e-commerce services to local conditions and the needs of local real estate developers and real estate professionals.

We have established a strong presence in 11 major cities, including Beijing and Shanghai, which are our level 1 cities, and Shenzhen, Chongqing, Tianjin, Chengdu, Guangzhou, Hangzhou, Wuhan, Suzhou and Nanjing, which are our level 2 cities. We entered these cities in the early stages of our development, and these cities have contributed and are expected to continue to contribute a majority of our revenues in the near future. In most of these cities, we offer our full line of services and target a full range of customers, including new home developers, agents, brokers, property managers and suppliers of home furnishing and improvement and other home-related products and services.

We also offer limited listing and other information relating to the real estate markets in Hong Kong, Taiwan, Singapore, Japan, United States, Canada, Australia, United Kingdom and Spain, but these markets do not constitute a material part of our business.

Brand Awareness and Marketing

We believe our comprehensive content has made www.fang.com a leading destination website for real estate participants in China. In addition, we seek to promote our websites and mobile apps and the related “Fang Tian Xia” and other brands through our directed selling efforts and other means, including our support for research, academic organizations and the publication of various research reports, event sponsorships, portal collaboration arrangements and marketing alliances. As a result, we believe we have become commonly associated with China’s growing real estate and home-related sectors.

Real Estate Research and Reports

We believe our knowledge of China’s real estate and home-related sectors provides a valuable competitive advantage and helps promote our brand name in the PRC real estate and furnishing and improvement market. The attractiveness of our listing, marketing and e-commerce services is rooted in our ability to commercialize various aspects of our databases and industry knowledge to create new and innovative services for our listing, marketing and e-commerce customers. To maintain and extend our leading position in this area, we seek to recruit and retain employees knowledgeable about China’s real estate and home-related sectors through a variety of incentive measures, including share-based compensation plans. Members of our research department produce research reports and provide other information services that help promote our reputation as an informed participant in China’s real estate and home-related sectors.

Event Sponsorships

We regularly sponsor real estate and home furnishing and improvement events attended by industry participants. We organized and hosted, both online and offline, ten consecutive China Villa Festivals from 2004 to 2013, each of which is an annual event that attracts media, real estate professionals, economists and industry academics. This special listing event was coupled with a marketing program which promoted and advertised various villa projects across 100 cities in China. In March 2019, we also hosted our sixteenth annual conference in Beijing to announce the “Top 100 Property Developers in China” together with the Enterprise Economic Research Institute of the Development Research Center of the PRC State Council and the Institute of Real Estate Studies of Tsinghua University, two of China’s leading research institutions. Many PRC real estate developers and government agencies involved in the PRC real estate sector attended this conference. The event also attracted broad media attention and interest from the public in each of the past ten years that we held the event.

Portal Collaboration Arrangements

We work with well-known Internet portals to attract additional users to our websites and mobile apps. Our portal collaboration arrangements typically have terms ranging from one to three years, with fees paid to our portal collaboration partners in installments every three months.

We currently have portal collaboration arrangements with some of China’s large Chinese-language portals to generate user traffic to our website.

Advertising and Marketing

We began to conduct general marketing and advertising activities to promote awareness of our new “Fang Tian Xia” and “Fang.com” brands in July 2014. We have also used outdoor advertisements in the Beijing Capital International Airport, bus bulletin boards and subway stations.

Our Sales Force

We have built a sales and marketing team that is experienced in the online advertising, Internet and real estate industries. As of December 31, 2018, our sales and marketing team consisted of approximately 2,463 persons located in approximately 65 offices across China. We also occasionally engage sales agents for collecting information on local markets or for specific business lines within local markets. Our sales and marketing team, together with these sales agents, work closely with our customers in local markets and help us gain insight into developments in these local markets, the competitive landscape and new market opportunities, which helps us to set our prices and strategies for each locality.

Our sales and marketing personnel are divided into the new homes, secondary and rental properties, home furnishing and improvements and research product groups. This structure allows our sales and marketing personnel to gain expertise with a specific subset of customers within the market sectors that we target, and to effectively design and market tailored services to customers within each subset.

To motivate our sales and marketing personnel, a majority of their compensation consists of performance incentives such as commissions and bonuses. Sales quotas are assigned to all sales personnel according to monthly, quarterly and annual sales plans. In addition, we apply a merit based promotion system to motivate our sales personnel.

Because sales of online marketing services are highly competitive, we strongly emphasize training programs designed to improve the sales and marketing skills of our staff. We provide three types of training to our sales and marketing personnel: (1) mandatory entrance training for each new sales and marketing employee during a three-month probationary period, (2) rotation training that aims to rotate every sales and marketing employee in different posts for a certain period of time, and (3) regular training in which weekly seminars and case studies are conducted for sales and marketing personnel. Our combination of training, performance-based compensation and a merit based promotion system have been effective in identifying, motivating and retaining strong performers.

We also have key account sales representatives in Beijing that serve our approximately 310 key account customers, which are identified based on their reputation, the scope of their operations as well as the amount of their contracts with us. We appoint one designated contact person to serve each key account customer. Key account customers in our new home business are generally entitled to more benefits than our other customers, such as preferential service fee discounts and preferential positioning within our nationwide real estate listings. We also prepare press release and reports for our key account customers.

Information Technology Systems and Infrastructure

We maintain most of our servers and backup servers in Beijing and Shanghai. We believe our server hosting partners provide significant operating advantages, including high-quality bandwidth, constant room temperature and an enhanced ability to protect our systems from power loss, break-ins and other external causes of service interruption. We have not experienced any material system failures over the past 15 years.

To better serve our website visitors, we have utilized our key proprietary technologies and developed a technology platform that is specifically used for our real estate and home related Internet portal services. The key components of our technology platform include:

- *Search platform.* Our search platform is designed to support targeted searches of our listing databases. Besides the key word search function, our search platform provides additional search functions that improve search accuracy with various search criteria, including searches based on the location, price and type of the property. In addition, our search engine is able to refine the search by conditional filtering and aggregation of the search results.
- *Large-scale system infrastructure.* With a combination of proprietary in-house and third-party solutions, we have designed our system to handle large amounts of data flow with a high degree of scalability and reliability. Our distributed architecture uses parallel computing technology and clusters of low-cost computers to handle high-volume visitor traffic and process large amounts of information.
- *Anti-fraud and anti-spam technology.* We have also developed a proprietary anti-fraud and anti-spam system through which we are able to detect fraudulent activities and identify and filter spam messages. We attempt to continuously improve the accuracy and effectiveness of this technology through machine-learning capability and customizable rules.

Seasonality

The real estate sector in China is characterized by seasonal fluctuations, which may cause our revenues to fluctuate significantly from quarter to quarter. The first quarter of each year generally contributes the smallest portion of our annual revenues due to reduced advertising and marketing activity of our customers in the PRC real estate industry during and around the Chinese Lunar New Year holiday, which generally occurs in January or February of each year. In contrast, the third quarter of each year generally contributes the largest portion of our annual revenues due to increased advertising and marketing activity of our customers in the PRC real estate industry as most property purchases take place in September and October of each year in terms of monthly transaction volumes. See “Item 3.D. Key Information—Risk Factors—Risks related to our business—You should not rely on our quarterly operating results as an indication of our future performance because our quarterly financial results are subject to fluctuations.”

Competition

We face competition from other companies in each of our primary business activities. We compete with these companies principally on the basis of website traffic volume, the quality and quantity of real estate and home furnishing and improvement listings and other information content, geographic coverage, service offerings and listing, marketing and e-commerce customers. We also compete for qualified employees with sales, real estate, home furnishing and improvement and other home-related products and services and Internet industry experience. We monitor our market share in the online advertising industry in China through market information gathered internally as well as from independent market research institutions such as Analysys and Talkingdata. Due to the nature of online residential real estate listings and the fact that the PRC market for residential real estate is a developing industry, there is limited independent third-party information on the market share of websites and mobile apps that provide residential real estate listings. To help assess our competitiveness and market position, our listing services division gathers information on the number and prices of paid online listing subscription accounts and similar information on our competitors from public sources for our internal records. Based on these internal records, we believe we are currently one of the leading Internet portals for residential real estate listings in China.

Some of our competitors may have greater access to capital markets, more financial and other resources and a longer operating history than us. For instance, major general-purpose Internet portals, such as Sina.com and Sohu.com, which provide real estate and home furnishing and improvement information services, may have an advantage over us due to their more established brand name, larger user base and extensive Internet distribution channels.

Other existing and potential competitors primarily include:

- real estate and home furnishing and improvement websites and mobile apps offering listing and marketing services in China including real estate websites and mobile apps sponsored or supported by local governments in China, which may be able to use such government connections to develop relationships with locally-active real estate developers;
- traditional advertising media such as general-purpose and real estate-focused newspapers, magazines, television and outdoor advertising that compete for overall advertising spending;
- websites and mobile apps focused on real estate research services in China; and
- online listing service providers, including general-purpose Internet portals and regional websites and mobile apps dedicated to online listing. We believe the key players in the markets for online real estate marketing and listing services in China include E-House (China) Holdings, Sohu.com Inc.’s focus.cn, Leju Holdings Limited, Tencent’s fangqq.com, 58.com, Anjuke.com (acquired by 58.com in March 2015), Szhome.com and House365.com.

Although the barriers to entry for establishing many types of Internet-based businesses are low, we believe that certain key features of our marketing and listing businesses, together with the complexity of China's real estate and home-related markets, make it difficult for competitors to grow quickly and compete successfully against us. Specifically, we believe our brand name in China's real estate and home related Internet industry, the size and growth of our average daily user traffic, our customized marketing, listing, financial, e-commerce and value-added service offerings, our ownership of what we believe is one of the largest online real estate listing databases in China in terms of geographical coverage, including content coverage of more than 658 urban real estate markets in China as of December 31, 2018, and our relationships and in-depth knowledge of the real estate and home furnishing and improvement sectors provide us with an advantage over our competitors.

We believe that we and other domestic operators are likely to have a competitive advantage over international service providers who lack operational infrastructure and experience in China. We cannot assure you, however, that this competitive advantage will continue to exist, particularly if international operators establish joint ventures with, form alliances with or acquire domestic operators.

Separation of CIH

CIH operates a real estate information and analytics service platform in China, providing (1) certain information and analytics services, currently operated as part of our value-added services, and (2) certain marketplace services, currently operated as part of our listing services. CIH offers a wide spectrum of information and analytics services primarily through a proprietary platform, based on its China Real Estate Index System, or CREIS, a comprehensive set of benchmarks and databases widely adopted by industry participants to track, understand and analyze the real estate industry in China. It covers a vast inventory of residential and commercial properties and land plots data across China. The core value of CREIS lies with the underlying proprietary database CIH operates. The database delivers real estate information and research reports regarding properties, land plots as well as real estate industrial regulations and policies in China. CIH employs various advanced technologies to power the database, including geographic information system, artificial intelligence-based search, data mining and cloud computing. CIH also offers certain marketplace services to clients as marketing tools to supplement the database and its associated analytical tools, including promotion services based on influential industry reports on select key topics it disseminates to China's real estate participants and consumers, and listing services to allow clients to list commercial properties in China and utilize advanced marketing and search tools.

On May 2, 2019, our board of directors approved our plan to separate CIH into an independent publicly traded company, whose business will comprise certain portions of our listing and value-added services. On May 10, 2019, CIH publicly filed a registration statement on Form F-1 with SEC to effect the proposed separation and distribution. The proposed separation and distribution is expected to commence after the SEC completes its review process, subject to customary closing conditions. There can be no assurance as to the commencement or completion of the proposed separation and distribution.

Separation and Distribution Related Agreements

We will enter into a separation and distribution agreement with CIH, which will set forth our agreements with CIH regarding the principal transactions necessary to separate CIH from us. It will also set forth other agreements that govern certain aspects of our relationship with CIH after the completion of the separation and distribution.

Delineation of business. According to the separation and distribution agreement, CIH will have the exclusive right to operate the spun-off business comprising certain portions of Fang's listing and value-added services, and we will have the exclusive right to operate the retained business. In particular, the spun-off business will comprise (1) certain information and analytics services, initially operated as part of Fang's value-added services, and (2) certain marketplace services, initially operated as part of Fang's listing services. Following the separation and distribution, CIH will strategically focus on serving the commercial property sector in China to capture the enormous market opportunity from its rapid development, while we will retain our business operating a real estate Internet portal focusing primarily on serving the residential property sector.

Transfer of assets and assumption of liabilities. The separation and distribution agreement will identify assets to be transferred, liabilities to be assumed and contracts to be assigned to CIH as part of the separation of Fang into two independent companies, and will describe when and how these transfers, assumptions and assignments will occur.

Except as expressly set forth in the separation and distribution agreement or any ancillary agreement, neither we nor CIH will make any representation or warranty as to the assets, business or liabilities transferred or assumed as part of the separation, as to any approvals or notifications required in connection with the transfers, as to the value of or the freedom from any security interests of any of the assets transferred, as to the absence or presence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other asset of either us or CIH, or as to the legal sufficiency of any assignment, document or instrument delivered to convey title to any asset or thing of value to be transferred in connection with the separation. All assets will be transferred on an "as is," "where is" basis and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good and marketable title, free and clear of all security interests, that any necessary consents or governmental approval are not obtained or that any requirements of laws, agreements, security interests, or judgments are not complied with.

To the extent that any transfers contemplated by the separation and distribution agreement have not been consummated on or prior to the date of the separation, the parties will agree to cooperate to affect such transfers as promptly as practicable following the date of the separation. In addition, each of the parties will agree to cooperate with each other and use reasonable best efforts to take or to cause to be taken all actions, and to do, or to cause to be done, all things reasonably necessary under applicable law or contractual obligations to consummate and make effective the transactions contemplated by the separation and distribution agreement and the ancillary agreements.

The distribution. The separation and distribution agreement will also govern the rights and obligations of the parties regarding the distribution. On the distribution date, we will cause CIH's share registrar and depositary to distribute to our equity holders that hold our ordinary shares or ADSs as of the record date all of CIH's issued and outstanding ordinary shares (including those represented by ADSs) prior to the separation and distribution. No fractional ordinary shares will be distributed in the distribution. Our ADSs holders will receive cash in lieu of any fractional ADSs. The separation and distribution agreement will provide that the distribution is subject to satisfaction (or waiver by us) of certain conditions. We will have the sole and absolute discretion to determine the terms of, and whether to proceed with, the distribution.

Business Cooperation Agreement

CIH and we will enter into a business cooperation agreement in respect of CIH's cooperation on certain commercial property-related business, particularly CIH's listing services, operated through Fang's website, *Fang.com*, after the separation and distribution. The initial term of this agreement is 10 years commencing from the signing date and may be terminated by mutual written agreement between Fang and us.

Business Cooperation. CIH will have the exclusive right to operate all the commercial property-related business, such as the online listing of commercial properties and lands as well as the advertising and marketing services provided through our commercial property-related web pages, for which we will be responsible for operating and maintaining at CIH's expenses, which will include IT system upgrade, servers maintenance and software upgrade. We will have the exclusive right to operate all the residential property-related business, except for those provided by CIH to clients relating to residential property-related business, including the information and analytics services as well as promotion services. CIH plans to cooperate with us to operate CIH's commercial property-related business through our web pages after the separation and distribution and ultimately migrate such business to CIH's own website, 3fang.com and 3fang mobile application after CIH obtains the ICP license required for standalone operation of such business.

Intellectual Property Cooperation. We agree to authorize CIH to use for free certain of our trademarks, copyrights, patents and other intellectual properties in connection with the operation of CIH's commercial property-related business.

Revenue and Expenses Allocation. During the term of our cooperation, we have the right to receive (1) 100% of the revenue generated by residential property-related business on our residential property-related web pages, (2) 85% of the revenue generated by commercial property-related business on our residential property-related web pages, and (3) 15% of the revenue generated by residential property-related business on our commercial property-related web pages. CIH will have the right to receive (1) 100% of the revenue generated by commercial property-related business on our commercial property-related web pages, for which CIH will bear the cost for operating and maintaining the related web pages and servers, (2) 85% of the revenue generated by residential property-related business on our commercial property-related web pages, and (3) 15% of the revenue generated by commercial property-related business on our residential property-related web pages.

Data License Agreement

We will enter into a data license agreement with CIH, pursuant to which, we agree to license the right of using certain data to CIH for development of CIH's business, and CIH agrees to provide certain data to us, including property appraisal and transaction data. Each of CIH and us will not pay any royalty fees. The term of the data license agreement is 10 years commencing from the signing date and may be terminated by mutual agreement between CIH and us.

Software License Agreement

We will enter into a software license agreement with CIH, pursuant to which, We agree to license the right of using certain of our software, at annual royalty fee of RMB500,000, subject to adjustment. The term of the software license agreement is 10 years commencing from the signing date and may be terminated by mutual agreement between CIH and us.

Intellectual Property License Agreement

In connection with the separation, we will enter into an intellectual property license agreement with CIH, pursuant to which CIH will be granted a non-exclusive and royalty-free right to use certain of Fang's intellectual properties in connection with the operation of CIH's business. The intellectual property license agreement will be valid for a term of 10 years commencing from the signing date and may be terminated by mutual written agreement between CIH and us.

Lease Framework Agreement

We and CIH have entered into a lease framework agreement, pursuant to which we agree to lease properties owned by us or our affiliates to CIH at market price. The lessors and lessees have entered into detailed lease agreements in accordance with this framework agreement based on CIH's actual demands. The initial term of this agreement is 10 years commencing from the signing date and may be terminated by mutual written agreement between CIH and us.

Intellectual Property

Our copyrights, trademarks, trade secrets, domain names and other intellectual property are important to our business. We rely on intellectual property laws and contractual arrangements with our key employees and certain of our customers, collaborators and others to protect our intellectual property rights. Despite these measures, we cannot assure you that we will be able to prevent unauthorized use of our intellectual property, which would adversely affect our business.

Our applications for the "SouFun" trademark for certain industry categories in China conflict with existing registrations of or applications for similar trademarks, which have resulted in litigations. In April 2014, the Higher People's Court of Beijing Municipality reversed a lower court's judgment in favor of us and ordered the PRC Trademark Review and Adjudication Board of SAIC to reconsider another PRC company's trademark application for "SOFANG" that it had previously rejected. In April 2015, the Supreme People's Court of the PRC accepted our application for retrial over the judgment of the Higher People's Court of Beijing Municipality but ultimately denied our application. See "Item 3.D. Key Information—Risk Factors—Risks related to our business—Unauthorized use of our intellectual property by third parties, and the expenses incurred in protecting our intellectual property rights, may materially and adversely affect our business, financial condition, results of operations, reputation and competitive advantage" and "—We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could materially disrupt our business." In 2015, we obtained new trademarks "Fang.com" in English and "房天下" ("Fang Tian Xia" in Chinese) and began to market our services under these new brands in connection with the transformation of our business model. We therefore do not currently expect our business would be materially and adversely affected even if we lose the right to use the trademark relating to "SouFun" in certain limited industry categories.

As of December 31, 2018, we held 412 registered copyrights and owned or licensed 613 registered trademarks in China. As of the same date, we had 737 trademark applications in various industry categories, pending with the PRC Trademark Office.

We have also filed applications to register certain trademarks in a number of other jurisdictions, including Hong Kong, Macao, Taiwan, Canada, Australia, France, Japan, Singapore, Spain, the United Kingdom and the United States.

As of December 31, 2018, we owned or licensed 1,117 registered domain names, including our official website, www.fang.com, and domain names registered in connection with www.jiatx.com, www.landlist.cn and www.fangtx.com.

As of December 31, 2018, we had four registered patents and four patent applications relating to database maintenance and computer data backup under review by the State Intellectual Property Office of the PRC.

Facilities

Our principal executive offices are located at Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing 100070, the People's Republic of China, with approximately 69,313 sq.m. of office space. As of December 31, 2018, we leased or owned properties with an aggregate gross floor area of approximately 53,800 sq.m. for our local offices across China in addition to our principal executive offices in Beijing. Our leased properties mainly consist of office premises, all of which are leased from independent third parties. We believe our existing leased and owned premises are adequate for our current business operations and that additional space can be obtained on commercially reasonable terms to meet our future requirements. See "Item 3.D. Key Information—Risk Factors—Risks related to our business—Certain of our leased property interests may be defective and we may be forced to relocate operations affected by such defects, which could cause significant disruption to our business."

We own an office building with a total usable office space of approximately 69,313 sq.m. in Beijing as our headquarters.

We own an office building with a gross floor area of 325,000 square feet at 72 Wall Street, New York. It is currently under major refurbishment work.

We own certain commercial properties of approximately 3,111 sq.m and 22,064.8 sq.m, in Sanya, Hainan province and Wuhan, Hubei province, China, respectively. We also own office space of 46,681 sq.m, together with 373 parking spaces, in an office building in Chengdu, Sichuan province, 1264.67 sq.m, in an office building in Changzhou, Jiangsu province, as well as office space of 30,843 sq.m in an office building in Chongqing. We primarily use these properties as our local offices.

We own certain Meilin lake villa properties of 10,308 sq.m. in Changzhou, Jiangsu province, China.

In addition, we own a portion of a building known as the BaoAn Building located at 800 Dongfang Road, Pudong, Shanghai. The property has usable space of approximately 42,000 sq.m. and is currently used for offices, retail space and a hotel. We acquired the property to support our expansion in Shanghai and the East China region, which consists of 15 cities including Jiangsu provincial capital Nanjing and Zhejiang provincial capital Hangzhou.

We also purchased a total net rentable area of 264,964 square feet in an office building in San Francisco. Our San Francisco office is primarily used as our technology and research center in the US.

Insurance

We maintain property insurance to cover potential damages to a portion of our property. In addition, we provide medical, unemployment and other insurance to our employees in compliance with applicable PRC laws, rules and regulations. We do not maintain insurance policies covering losses relating to our systems and do not have business interruption insurance.

Legal Proceedings

In January 2018, we applied for an arbitration at China International Economic and Trade Arbitration Commission as a claimant for the indebtedness owed to us and breach of contract by a third party. The arbitration procedure is still ongoing.

In April and May 2018, we were involved in suits as one of the defendants for trade mark infringement claimed by a third party, alleging RMB99.9 million, RMB300 million, and RMB500 million, respectively. The suits are still ongoing and we are vigorously contesting the allegations.

In February 2019, we were served with a subpoena from a court in Beijing, in which a third party claimed that a contract we entered into was invalid. Pursuant to such contract, we received certain assets from a debtor's nominee to discharge its indebtedness. The debtor subsequently alleged that such contract was invalid because the transfer price of such assets was below the fair market value. We intend to vigorously contest the allegation.

Saved as disclosed above, we are currently not involved in any material legal or arbitration proceedings. From time to time, we may be subject to claims and legal actions arising in the ordinary course of business, such as intellectual property infringement claims against us for use of others' articles or photographs and employment disputes. Such claims or legal actions, even if without merit, could result in the expenditure of significant financial and management resources and potentially result in civil liability for damages.

Regulation

Our business is subject to substantial regulation by the PRC government. This section sets forth a summary of certain significant PRC regulations that affect our business and the industries within which we operate. See "Item 3.D. Key Information—Risk Factors" which discusses risks related to regulation of our business and industry.

General

The telecommunications industry, including Internet information services and Internet access services, is highly regulated by the PRC government. Regulations issued or implemented by the State Council, MIIT and other relevant government authorities cover virtually every aspect of telecommunications network operations, including entry into the telecommunications industry, the scope of permissible business activities, interconnection and transmission line arrangements, tariff policy and foreign investment.

MIIT, under the leadership of the State Council, is responsible for, among other things:

- formulating and enforcing telecommunications industry policy, standards and regulations;
- granting licenses to provide telecommunications and Internet services;
- formulating tariff and service charge policies for telecommunications and Internet services;
- supervising the operations of telecommunications and Internet service providers; and

- maintaining fair and orderly market competition among telecommunications and Internet service providers.

In addition to the regulations promulgated by the central PRC government, some local governments have also promulgated local rules applicable to Internet companies operating within their respective jurisdictions.

In 1994, the Standing Committee of the National People's Congress promulgated the PRC Advertising Law. In addition, SAIC and other ministries and agencies have issued regulations that further regulate our advertising business, as discussed below.

Restrictions on Foreign Ownership in the Online Advertising Industry

Internet Content Provision and Wireless Value-Added Services

In September 2000, the State Council promulgated the Telecommunications Regulations, which categorize all telecommunications businesses in China as either basic telecommunications businesses or value-added telecommunications businesses. In February 2003, MIIT amended the original classification of telecommunications business with Internet content provision services and wireless value-added services being classified as value-added telecommunications businesses. In December 2015, MIIT further amended the classification of telecommunications business, which sets out in details of the information service business classification under the category of value-added telecommunications businesses. The Telecommunications Regulations also set forth extensive guidelines with respect to different aspects of telecommunications operations in China.

In order to comply with China's commitments with respect to its entry into the World Trade Organization, the State Council promulgated the Administrative Rules on Foreign-invested Telecommunications Enterprises in December 2001, as amended in September 2008 and February 2016. The Administrative Rules on Foreign-invested Telecommunications Enterprises set forth detailed requirements with respect to capitalization, investor qualifications and application procedures in connection with the establishment of a foreign-invested telecommunications enterprise. Pursuant to these administrative rules, the ultimate capital contribution ratio of the foreign investor or investors in a foreign-invested telecommunications enterprise that aims to provide value-added telecommunications services may not exceed 50.0%. In addition, pursuant to the Foreign Investment Industrial Guidance Catalog issued by the PRC government, the permitted foreign investment in value-added telecommunications service providers may not be more than 50.0%. However, for a foreign investor to acquire any equity interest in a value-added telecommunications business in China, it must satisfy a number of stringent performance and operational experience requirements, including demonstrating a track record and experience in operating a value-added telecommunications business overseas. Moreover, foreign investors that meet these requirements must obtain approvals from MIIT and MOFCOM or their authorized local counterparts, which retain considerable discretion in granting approvals.

In July 2006, MIIT publicly released the Circular on Strengthening the Administration of Foreign Investment in Value-Added Telecommunications Services, or the MIIT Notice. According to the MIIT Notice, if any foreign investor intends to invest in a PRC telecommunications business, a foreign-invested telecommunications enterprise must be established and such enterprise must apply for the relevant telecommunications business licenses. Under the MIIT Notice, domestic telecommunications enterprises may not rent, transfer or sell a telecommunications license to foreign investors in any form, nor may they provide any resources, premises, facilities and other assistance in any form to foreign investors for their illegal operation of any telecommunications business in China.

As a result of current PRC laws, rules and regulations that impose substantial restrictions on foreign investment in the Internet business in China, we conduct this portion of our operations through a series of contractual arrangements among our PRC subsidiaries and our consolidated controlled entities.

In the opinion of our PRC legal counsel:

- each of the Structure Contracts is legal, valid and binding on the contracting parties under applicable PRC laws, rules and regulations;
- the execution, delivery, effectiveness, enforceability and performance of each of the Structure Contracts do not violate any published PRC laws, rules and regulations currently in force and effect;
- none of our Structure Contracts contravenes any published PRC laws, rules and regulations currently in force and effect; and
- no filings, registrations, consents, approvals, permits, authorizations, certificates and licenses of any PRC government authorities are currently required in connection with the execution, delivery, effectiveness, performance and enforceability of each Structure Contract, provided that the pledges of equity interests under the Structure Contracts should be registered with competent PRC government authorities, and provided further that the exercise of the call option in the future must be approved and registered by competent PRC government authorities.

However, there are substantial uncertainties regarding the interpretation and application of current or future PRC laws, rules and regulations, including the laws and regulations governing the enforcement and performance of our Structure Contracts in the event of any imposition of statutory liens, bankruptcy and criminal proceedings. Accordingly, we cannot assure you that the PRC regulatory authorities will not ultimately take a contrary view from that of our PRC legal counsel. See “Item 3.D. Key Information—Risk Factors—Risks related to our corporate structure—If the PRC government determines that the structure contracts that establish the structure for our business operations do not comply with applicable PRC laws, rules and regulations, we could be subject to severe penalties or be forced to restructure our ownership structure” and “—Substantial uncertainties exist with respect to the adoption of new or revised PRC laws relating to our corporate structure, corporate governance and business operations.”

Regulation Relating to Our Business

Internet Content Provision Services

The provision of real estate and home-related and other content on Internet websites is subject to applicable PRC laws, rules and regulations relating to the telecommunications industry and the Internet, and regulated by various government authorities, including MIIT and SAIC. The principal regulations governing the telecommunications industry and the Internet include:

- The Telecommunications Regulations (Revised in 2016);
- The Catalog of Classes of Telecommunications Business (2015);
- The Administrative Measures for Telecommunications Business Operating Licenses (2017); and
- The Internet Information Services Administrative Measures (2011).

Under these regulations, Internet content provision services are classified as value-added telecommunications businesses, and a commercial operator must obtain a telecommunications and information services operating license, or ICP license, from the appropriate telecommunications authority in order to carry out commercial Internet content provision operations in China. If an Internet content provider is not engaged in commercial Internet content operations, it is only required to file a record with the appropriate telecommunications authority. In addition, the regulations also provide that operators involved in Internet content provision in sensitive and strategic sectors, including news, publishing, education, health care, medicine and medical devices, must obtain additional approvals from the relevant authorities in relation to those sectors.

Two of our consolidated controlled entities, Beijing Technology and Beijing JTX Technology, each hold an ICP license issued by the Beijing Telecommunications Administration Bureau, a municipal branch of MIIT.

On December 21, 2013, the State Council promulgated the Decision of the State Council on Temporary Adjustments to the Administrative Approval Items or Special Administrative Measures on Access Prescribed in the Relevant Administrative Regulations or State Council's Documents in China (Shanghai) Pilot Free Trade Zone, which provides that temporary adjustments shall be made to special administrative measures on access in respect of qualification requirements and restrictions on shareholding proportion under the Administrative Rules on Foreign-invested Telecommunications Enterprises.

Pursuant to the Opinions of the MIIT and the People's Government of Shanghai Municipality on Further Opening Up Value-added Telecommunications Business in China (Shanghai) Pilot Free Trade Zone ("Pilot Opinions"), which were jointly issued by the MIIT and People's Government of Shanghai Municipality on January 6, 2014, foreign ownership in telecommunications service business (only include apps stores), which China has committed to opening-up after its WTO entry, may exceed 50% on a pilot basis. Foreign ownership in online data processing and transaction processing (operational electronic commerce) shall not exceed 55%. Except for the Internet connection service business (provision of internet connection service for online users), the scope for other businesses services specified by the Pilot Opinions can be nationwide. On April 15, 2014, MIIT promulgated the Circular on Printing and Distributing the Administrative Measures of China (Shanghai) Pilot Free Trade Zone for the Pilot Operation of Value-added Telecommunications Business by Foreign Investment, which further provides the requirements and procedures for foreign-invested enterprises to apply for and obtain the approval to conduct value-added telecommunications business based in the China (Shanghai) Pilot Free Trade Zone.

On June 19, 2015, MIIT further issued the Circular of the MIIT on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operational E-commerce) Business, which liberalizes the foreign ownership restrictions in online data processing and transaction processing (operational electronic commerce) business by expanding the business areas from the China (Shanghai) Pilot Free Trade Zone to nationwide, and the foreign ownership may be up to 100%.

The MIIT Notice requires that a value-added telecommunications business operator (or its shareholders) must own domain names and trademarks used by it in the value-added telecommunications business, and have premises and facilities appropriate for such business. To comply with the MIIT Notice, all of our related trademarks and domain names are owned directly by Beijing Technology and Beijing JTX Technology.

Furthermore, according to the Administrative Provisions on Online Publishing Services, jointly issued by the MIIT and the State General Administration of Press, Publication, Radio, Film and Television in February 2016, all entities that are engaged in Internet publication services in China must be approved by competent publication administrative department and acquire an Online Publishing Service License. The online publishing services defined in the Administrative Provisions on Online Publishing Services refer to the provision of online publications to the public through information networks while the Online Publications refer to digitized works with characteristics of publishing, such as editing, production or processing provided to the public through information networks.

Advertising Services

SAIC is responsible for regulating advertising activities in China. The principal regulations governing advertising in China, including online advertising, include:

- the Advertising Law (Revised in 2018); and
- the Administration of Advertising Regulations.

These regulations stipulate that companies that engage in advertising activities in China must obtain from SAIC or its local branches a business license which specifically includes operating an advertising business within its business scope. Companies conducting advertising activities without such a license may be subject to penalties, including fines, confiscation of illegal revenues and orders to cease advertising operations. The business license of an advertising company is valid for the duration of its existence, unless the license is suspended or revoked due to a violation of any relevant law or regulation.

The business scope of each of Beijing Advertising, Beijing Technology, Beijing JTX Technology, Shanghai Century JTX Network and Beijing Yi Ran Ju Ke includes operating an advertising business, which allows them to engage in the advertising business.

Electronic Bulletin Board Services

In November 2000, MIIT adopted the Administrative Regulations on Internet Electronic Bulletin Board Services, which required that an Internet content service provider providing online bulletin board service register with, and obtain approval from, local telecommunications authorities. The Administrative Regulations on Internet Electronic Bulletin Board Services was abolished by MIIT on September 23, 2014, and the management of Internet electronic bulletin board services is currently governed by the Telecommunications Regulations, the Internet Information Services Administrative Measures and the Administrative Measures for Telecommunications Business Operating Licenses, which provide that an Internet content provider that intends to provide online bulletin board services shall fulfill the approval formalities. On November 6, 2006, the Beijing Telecommunications Administration Bureau issued to Beijing Technology, respectively, an approval for operating electronic bulletin board services on www.fang.com, respectively. Beijing JTX Technology also obtained approval for operating electronic bulletin board services on www.jiatx.com on June 15, 2007. These approvals each have an original validity which is keyed to the corresponding ICP license and their continued validity is subject to the fulfillment of certain conditions and qualifications.

Regulations on the Real Estate Service Industry

The principal regulations governing the real estate service industry in China include the Law on the Administration of the Urban Real Estate, as amended in August 2009, the Real Estate Brokerage Administration Measures issued by the MOHURD, the NDRC, and the PRC Ministry of Human Resources and Social Security on January 20, 2011, which became effective on April 1, 2011, and was further amended on March 1, 2016 and became effective on April 1, 2016.

Real Estate Service Companies

In accordance with the Law on the Administration of the Urban Real Estate and the Real Estate Brokerage Administration Measures, real estate services refer to services of real estate consultation, appraisal and brokerage. A real estate service company is required to meet certain financial and personnel requirements and register with the SAIC or its local counterpart. To be qualified to engage in real estate services, a company is required to file with the relevant local branch of SAIC. Pursuant to the Real Estate Brokerage Administration Measures, a real estate brokerage company must have a certain number of real estate brokers and real estate broker assistants, and shall file with the local real estate regulatory authority within thirty days following the issuance of its business license. Local authorities have specific requirements on employing such brokers and the registration formalities.

On May 11, 2011, the MOHURD and the NDRC jointly issued the Notice of Strengthening the Real Estate Brokerage Administration and Further Standardizing the Order of Real Estate Transactions. On June 13, 2013, the MOHURD and the SAIC jointly issued the Notice of Focusing on Special Administration on Market of Real Estate Agencies. According to these notices, a real estate brokerage company is forbidden to display any false or unverified information. The real estate brokerage company and its brokers shall not conceal transaction price and other transaction information from the transacting parties. Such entities are also prohibited from obtaining any gains by purchasing or renting a property at a lower price and then selling or leasing such property at a higher price. The real estate brokerage company is also required to establish a separate account for transaction settlement if the real estate brokerage company is responsible to collect and pay the transaction amount on behalf of the transaction parties.

Real Estate Service Brokers

In accordance with the Real Estate Brokerage Administration Measures, the PRC government implemented the occupational qualification system for real estate broker personnel.

Pursuant to the Interim Regulations on Professional Qualification for Real Estate Brokerage Professionals and the Implementation Rules on the Examinations of Real Estate Brokerage Professional Qualification issued by the PRC Ministry of Human Resources and Social Security and the MOHURD on December 18, 2001 and the relevant circulars, to practice as a qualified real estate broker, an individual was required to pass an exam and obtain a qualification certificate for real estate brokers. However, the State Council issued the Decision of the State Council on Cancelling and Adjusting a Batch of Administrative Examination and Approval Items on July 22, 2014, which eliminated the qualification certificate requirement for real estate brokers. On June 25, 2015, the PRC Ministry of Human Resources and Social Security and the MOHURD further jointly issued Interim Provisions on the Occupational Qualification System of Professional Real Estate Brokers and the Implementing Measures for Occupational Qualification Exams of Professional Real Estate Brokers, which provide that real estate brokerage professional qualifications are divided into three levels, namely associate real estate broker, real estate broker and senior real estate broker. The associate real estate broker and real estate broker shall pass the examination as a method to evaluate their professional skills.

Real Estate Service Charges

According to the Notice on Release of Management of Real Estate Consultant and Brokerage Charges jointly issued by the NDRC and the MOHURD which became effective on July 1, 2014, a real estate service company must display its service charges, or commissions. The commissions for the real estate brokerage services are subject to the regulation of the local branch of the MOHURD and the competent pricing department of people's government at the provincial level, the local authorities may decide to apply "government-guided" prices or "market-adjusted" prices according to the local situation. The commissions for the real estate consulting services shall be based on "market-adjusted" prices, and the real estate consulting service providers may negotiate and determine their commission rates with clients.

Regulations on Microfinance Companies

According to the Guiding Opinions on the Pilot Operation of Microfinance Companies (the "Guiding Opinions") jointly issued by the China Banking Regulatory Commission and the PBOC on May 4, 2008, microfinance companies are limited liability companies or joint stock companies established with the capital contribution from natural persons, legal persons and other organizations, which do not accept public deposits and engage in the microfinance business. To set up a microfinance company, an applicant shall submit a formal application to the competent administrative departments at the provincial level. Upon approval, the applicant shall apply to the local branch of the SAIC to obtain a business license for the microfinance company. In addition, the applicant shall complete certain filings with the local police department, the local office of the China Banking Regulatory Commission and the local branch of the PBOC. According to the Guiding Opinions, the aggregate balance of the loans granted to any single borrower may not exceed 5% of the net capital of the microfinance company. The PBOC is responsible for monitoring the interest rates and fund flows of microfinance companies and record the relevant information into the PBOC's credit information system. Microfinance companies are required to provide information regarding their borrowers, loan amounts, guarantees for loans and loan repayment to the credit information system.

According to the Guiding Opinions, a provincial government may launch pilot programs for microfinance companies within prefectural regions of the province only after it designates a department (finance office or other relevant institutions) to be in charge of supervision and administration of microfinance companies and is willing to be responsible for risk management and disposals with respect to microfinance companies. Consequently, microfinance companies are primarily regulated locally by provincial governments under rules and regulations promulgated by the provincial governments.

Pursuant to Notice on Regulating the "Cash Loan" Business, issued by Office of the Leading Group for the Special Campaign against Internet Financial Risks and the Office of the Leading Group for the Special Campaign against Peer-to-peer Lending Risks on December 1st, 2017 ("Notice on Regulating Cash Loan"), internet microfinance businesses are strictly regulated. According to the Notice on Regulating Cash Loan, among other requirements, microfinance companies are required to suspend distribution of internet microloans that are not supported by specific scenarios and no specific purpose, gradually reduce the inventory business within a time limit and rectification shall be completed within the prescribed time limit. Issuing "campus loans" and "down payment loans" are also prohibited.

According to Notice on Regulating Cash Loan, microfinance companies may not sell, transfer, and disguise the company's credit assets through Internet platforms or local trading venues. Providing real property financing and other debt financing matchmaking services in relation to the purchase of real properties are also prohibited. Violation of these requirements may subject the relevant authorities to various penalties, including restrictions on the entity conducting such activities' business operations, or canceling business qualifications and/or closing the entity.

Regulations on Entrusted Loans

The General Lending Code was promulgated by the PBOC on June 28, 1996 and came into effect on August 1, 1996. The General Lending Code defines a “loan provider” as a PRC owned financial institution established in China that engages in the provision of interest bearing loans. One type of loan defined in and regulated in accordance with the General Lending Code is the entrusted loan. Entrusted loans are arrangements whereby the capital for a loan is supplied by a government department, an enterprise or a natural person (the “capital provider”) and entrusted to a financial institution as the loan provider. Entrusted loans are made by the loan provider to a specified borrower for a particular purpose and in an amount, for a term and at an interest rate determined by the capital provider. The term “specified borrower” describes the party specified by the capital provider as the person who will receive the amount of an entrusted loan (the “loan recipient”). While the loan provider exercises supervision over and receives repayment from the loan recipient, the loan provider does not assume any risk of default in repayment by the loan recipient. In accordance with the General Lending Code and the relevant judicial interpretation from the Supreme People’s Court of the PRC, in an entrusted loan arrangement, the relationship between the loan provider and the capital provider is that of trustee and trustor; and the relationship between the loan provider and the loan recipient is that of lender and borrower. No creditor/debtor relationship exists between the capital provider and the loan recipient. The General Lending Code requires that loan providers must be authorized by and have been granted a financial institution license or a financial institution operation license from the PBOC; and must have registered with the SAIC. The General Lending Code further stipulates that enterprises which are not authorized and registered as loan providers must not breach the laws of the PRC by engaging in intercompany loan transactions or the provision of loans through unauthorized means. An intercompany loan is a loan provided directly from one company to another where the loan provider is not authorized and registered as a loan provider.

According to the Opinions of the Ministry of Housing and Urban-Rural Development and other Authorities on Strengthening the Administration Over the Real Estate Agencies to Promote the Healthy Development of the Industry issued by the MOHURD, the MIIT, the SAT, the SAIC, the PRC National Development and Reform Commission, the CSRC and the PBOC on July 29, 2016, real estate service companies, which prepare the housing loan applications on behalf of clients, shall not compel clients to choose financial institutions designated by them, nor shall they associate the loan application services with other services. A real estate service company shall not, by itself or cooperating with other entities, offer illegal financial products and services, or receive any commissions from financial institutions. In addition, financial institutions are strictly prohibited from cooperating with real estate service companies which have not gone through the filing formalities with competent real estate authorities.

Pursuant to Notice on Regulating the “Cash Loan” Business, issued by Office of the Leading Group for the Special Campaign against Internet Financial Risks and the Office of the Leading Group for the Special Campaign against Peer-to-peer Lending Risks on December 1st, 2017 (“Notice on Regulating Cash Loan”), internet microfinance businesses shall be under strictly regulated. According to the Notice on Regulating Cash Loan, among other requirements, microfinance companies are required to suspend distribution of internet microloans that are not supported by specific scenarios and no specific purpose, gradually reduce the outstanding loan balance within the prescribed time limit and rectification shall be completed within the prescribed time limit. Issuing “campus loans” and “down payment loans” are also prohibited.

Regulations on Online Peer-to-Peer Lending

Interim Measures for the Administration of the Business Activities of Online Lending Information Intermediary Institutions issued by the PBOC, the MIIT and the Ministry of Public Security on August 24, 2016, Guidelines for the Administration of Recordation and Registration of P2P Lending Information Intermediary Institutions issued by the China Banking Regulatory Commission, the MIIT and the SAIC on October 28, 2016, Guidelines for the Online Lending Fund Depository Business issued by the China Banking Regulatory Commission on February 22, 2017 and Guidelines for the Disclosure of Information on the Business Activities of Online Lending Information Intermediary Institutions issued by the China Banking Regulatory Commission on August 23, 2017 (collectively referred to as “One approach and Three Guidelines”), provide a legal system basis for the standardized development and continuous prudent supervision of the online peer-to-peer lending industry. According to “One approach and Three Guidelines”, peer-to-peer lending information intermediary institutions should apply for recordation and registration to the local financial regulatory departments.

The Office of the Leading Group for the Special Campaign against Peer-to-Peer Lending Risks has promulgated the Notice on Compliance Inspection of Peer-to-Peer Network Lending Institutions and the List of Compliance Checking Questions of Online Lending Information Intermediaries on August 13, 2018, which includes several inspection procedures: self-inspection of online lending institutions, self-discipline inspection by local internet finance associations or related institutions, administrative verification by the local office for the special campaign against peer-to-peer lending risks. The Notice on Compliance Inspection of Peer-to-Peer Network Lending Institutions requires that the local office for the special campaign against peer-to-peer lending risks should check the contents of the reports submitted by the online lending institutions. If the contents are untrue, omitted or fraudulent, the office can pursue accountability and exercise vote power for online lending institutions.

Regulations relating to Information Security and Confidentiality of User Identity and Information

Internet content in China is also regulated and restricted from a state security standpoint. Based on the Decision of the Standing Committee of the National People’s Congress on Internet Security Protection enacted by the Standing Committee of the National People’s Congress, any effort to undertake the following actions may be subject to criminal punishment in China:

- gain improper entry into a computer or system of national strategic importance;
- disseminate politically disruptive information;
- leak government secrets;
- spread false commercial information; or
- infringe intellectual property rights.

The Ministry of Public Security has also promulgated measures that prohibit the use of the Internet in ways that, among other things, result in the leakage of government secrets or the spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and we may be subject to the jurisdiction of the local security bureaus. If an ICP license holder violates these measures, the PRC government may revoke its license and shut down its website.

The security and confidentiality of information on the identity of Internet users are also regulated in China. The Internet Information Service Administrative Measures promulgated by the PRC State Council in September 2000 and revised in January 2011 require Internet content service providers to maintain an adequate system that protects the security of user information. In January 2006, the Ministry of Public Security promulgated the Regulations on Technical Measures of Internet Security Protection, requiring Internet service providers to utilize standard technical measures for Internet security protection.

In addition, the Standing Committee of the National People’s Congress promulgated the Cyber Security Law of the People’s Republic of China, or the Cyber Security Law, effective June 2017, to protect cyberspace security and order. Pursuant to the Cyber Security Law, any individual or organization using the network must comply with the constitution and the applicable laws, follow the public order and respect social moralities, and must not endanger cyber security, or engage in activities by making use of the network that endanger the national security, honor and interests, or infringe on the fame, privacy, intellectual property and other legitimate rights and interests of others. The Cyber Security Law sets forth various security protection obligations for network operators, which are defined as “owners and administrators of networks and network service providers,” including, among others, complying with a series of requirements of tiered cyber protection systems, verifying users’ real identity, localizing the personal information and important data gathered and produced by key information infrastructure operators during operations within the PRC, and providing assistance and support to government authorities where necessary for protecting national security and investigating crimes. Furthermore, MIIT’s Regulations on Protection of Personal Information of Telecommunications and Internet Users, effective September 2013, contain detailed requirements on the use and collection of personal information as well as security measures required to be taken by telecommunications business operators and internet information service providers.

Regulations relating to Trademarks

Both the PRC Trademark Law and the Implementation Regulation of the PRC Trademark Law, as currently in effect, provide protection to the holders of registered trademarks and trade names. The PRC Trademark Office handles trademark registrations and grants a renewable term of rights of 10 years to registered trademarks. In addition, trademark license agreements must be filed with the Trademark Office.

After receiving a trademark registration application, the PRC Trademark Office will make a public announcement with respect to the proposed trademark registration application if the relevant trademark passes the preliminary examination. Any person may, within three months after such public announcement, object to such trademark application. The PRC Trademark Office will then decide who is entitled to the trademark registration, and its decisions may be appealed to the PRC Trademark Review and Adjudication Board, whose decision may be further appealed through judicial proceedings. If no objection is filed within three months after the public announcement period or if the objection has been overruled, the PRC Trademark Office will approve the registration and issue a registration certificate, upon which the trademark is registered and will be effective for a renewable 10-year period, unless otherwise revoked.

Regulations relating to Employee Share Options

Under the Stock Option Rule promulgated by SAFE in February 2012, a PRC entity's directors, supervisors, senior management officers, other staff or individuals who have an employment or labor relationship with a Chinese entity and are granted stock options by an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with SAFE and complete certain other procedures. We and our PRC resident employees who have been granted stock options are subject to these regulations. We have designated our PRC relevant subsidiaries to handle the registration and other procedures required by the Stock Option Rule. If we or our PRC option holders fail to comply with these regulations in the future, we or our PRC option holders may be subject to fines and legal sanctions.

Regulations relating to Employees

The principal PRC laws and regulations that govern employment include:

- the PRC Labor Law which became effective on January 1, 1995 and was amended on August 27, 2009 and December 29, 2018; and
- the PRC Labor Contract Law which became effective on January 1, 2008, and its amendments which became effective on July 1, 2013.

Pursuant to the PRC Labor Law and the PRC Labor Contract Law, employers must execute written labor contracts with full-time employees. All employers must compensate their employees with wages equal to at least the local minimum wage standards. All employers are required to establish a system for labor safety and sanitation, strictly abide by state rules and standards and provide employees with workplace safety training. Violations of the PRC Labor Contract Law and the PRC Labor Law may result in the imposition of fines and other administrative liabilities. Criminal liability may arise for serious violations.

In addition, employers in China are obliged to provide employees with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds.

Regulations relating to Foreign Investment

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law, which will come into effect on January 1, 2020 and replace the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The existing foreign-invested enterprises established prior to the effective of the Foreign Investment Law may keep their corporate forms within five years. The implementing rules of the Foreign Investment Law will be stipulated separately by State Council. Pursuant to the Foreign Investment Law, "foreign investors" means natural person, enterprise, or other organization of a foreign country; "foreign-invested enterprises" means any enterprise established under PRC law that is wholly or partially invested by foreign investors and "foreign investment" means any foreign investor's direct or indirect investment in mainland China, including: (1) establishing FIEs in mainland China either individually or jointly with other investors; (2) obtaining stock shares, stock equity, property shares, other similar interests in Chinese domestic enterprises; (3) investing in new projects in mainland China either individually or jointly with other investors; and (4) making investment through other means provided by laws, administrative regulations, or State Council provisions.

The Foreign Investment Law stipulates that China implements the management system of pre-establishment national treatment plus a negative list to foreign investment and the government generally will not expropriate foreign investment, except under special circumstances, in which case it will provide fair and reasonable compensation to foreign investors. Foreign investors are barred from investing in prohibited industries on the negative list and must comply with the specified requirements when investing in restricted industries on that list. When a license is required to enter a certain industry, the foreign investor must apply for one, and the government must treat the application the same as one by a domestic enterprise, except where laws or regulations provide otherwise. In addition, foreign investors or foreign-invested enterprises are required to file information reports and foreign investment which affects or is likely to have effect on the national security shall be subject to the national security review.

Regulations relating to Foreign Investment in Value-Added Telecommunications Industry

According to the Administrative Rules on Foreign-invested Telecommunications Enterprises issued by the State Council effective in January 2002, as amended in September 2008 and February 2016, a foreign investor may hold no more than a 50% equity interest in a value-added telecommunications services provider in China and such foreign investor must have experience operating in such industry.

Pursuant to the Opinions of the MIIT and the People's Government of Shanghai Municipality on Further Opening Up Value-added Telecommunications Business in China (Shanghai) Pilot Free Trade Zone ("Pilot Opinions"), which were jointly issued by the MIIT and People's Government of Shanghai Municipality on January 6, 2014, foreign ownership in telecommunications service business (only include apps stores), which China has committed to opening-up after its WTO entry, may exceed 50% on a pilot basis. Foreign ownership in online data processing and transaction processing (operational electronic commerce) shall not exceed 55%. Except for the Internet connection service business (provision of internet connection service for online users), the scope for other businesses services specified by the Pilot Opinions can be nationwide. On April 15, 2014, MIIT promulgated the Circular on Printing and Distributing the Administrative Measures of China (Shanghai) Pilot Free Trade Zone for the Pilot Operation of Value-added Telecommunications Business by Foreign Investment, which further provides the requirements and procedures for foreign-invested enterprises to apply for and obtain the approval to conduct value-added telecommunications business based in the China (Shanghai) Pilot Free Trade Zone.

On June 19, 2015, MIIT further issued the Circular of the MIIT on Removing the Restrictions on Shareholding Ratio Held by Foreign Investors in Online Data Processing and Transaction Processing (Operational E-commerce) Business, which liberalizes the foreign ownership restrictions in online data processing and transaction processing (operational electronic commerce) business by expanding the business areas from the China (Shanghai) Pilot Free Trade Zone to nationwide, and the foreign ownership may be up to 100%.

The MIIT Notice requires that a value-added telecommunications business operator (or its shareholders) must own domain names and trademarks used by it in the value-added telecommunications business, and have premises and facilities appropriate for such business. To comply with the MIIT Notice, all of our related trademarks and domain names are owned directly by Beijing Technology and Beijing JTX Technology.

Regulations relating to the Establishment of Offshore Special Vehicle by PRC Residents

Pursuant to the Circular 37 promulgated by SAFE, which became effective on July 4, 2014, a PRC resident, including a PRC resident natural person or a PRC company, shall register with the local SAFE branch before it contributes assets or its equity interests into an overseas SPV established or controlled by the PRC resident for the purpose of investment and financing. When the overseas SPV that fulfilled the initial registration formalities undergoes certain major changes, including but not limited to, the change in the PRC-resident shareholder of the overseas SPV, name of the overseas SPV, term of operation, or any increase or reduction of the registered capital of the overseas SPV, share transfer or swap, and merger or division, the PRC resident shall timely register such change with the local SAFE branch.

We have requested our beneficial owners who are PRC residents to make the necessary applications, filings and amendments required by SAFE. However, we cannot provide any assurances that all of our beneficial owners who are PRC residents will continue to make, obtain or amend any applicable registrations or approvals required by these SAFE regulations. The failure or inability of our PRC resident beneficial owners to comply with the registration procedures set forth therein may subject us to fines and legal sanctions, restrict our cross-border investment activities, or limit our ability to contribute additional capital into our PRC subsidiaries, or limit our PRC subsidiaries’ ability to pay dividends or make other distributions to our company or otherwise adversely affect our business. Moreover, failure to comply with the SAFE registration requirements could result in liability under PRC laws for evasion of foreign exchange restrictions.

C. Organizational Structure

We conduct substantially all of our operations in China through our PRC subsidiaries and consolidated controlled entities. For more information regarding the contractual arrangements among our PRC subsidiaries and consolidated controlled entities, see “Item 7.B. Major Shareholders and Related Party Transactions—Related Party Transactions—Structure Contracts.”

The following is a list of our principal subsidiaries and consolidated controlled entities as of the date of this annual report:

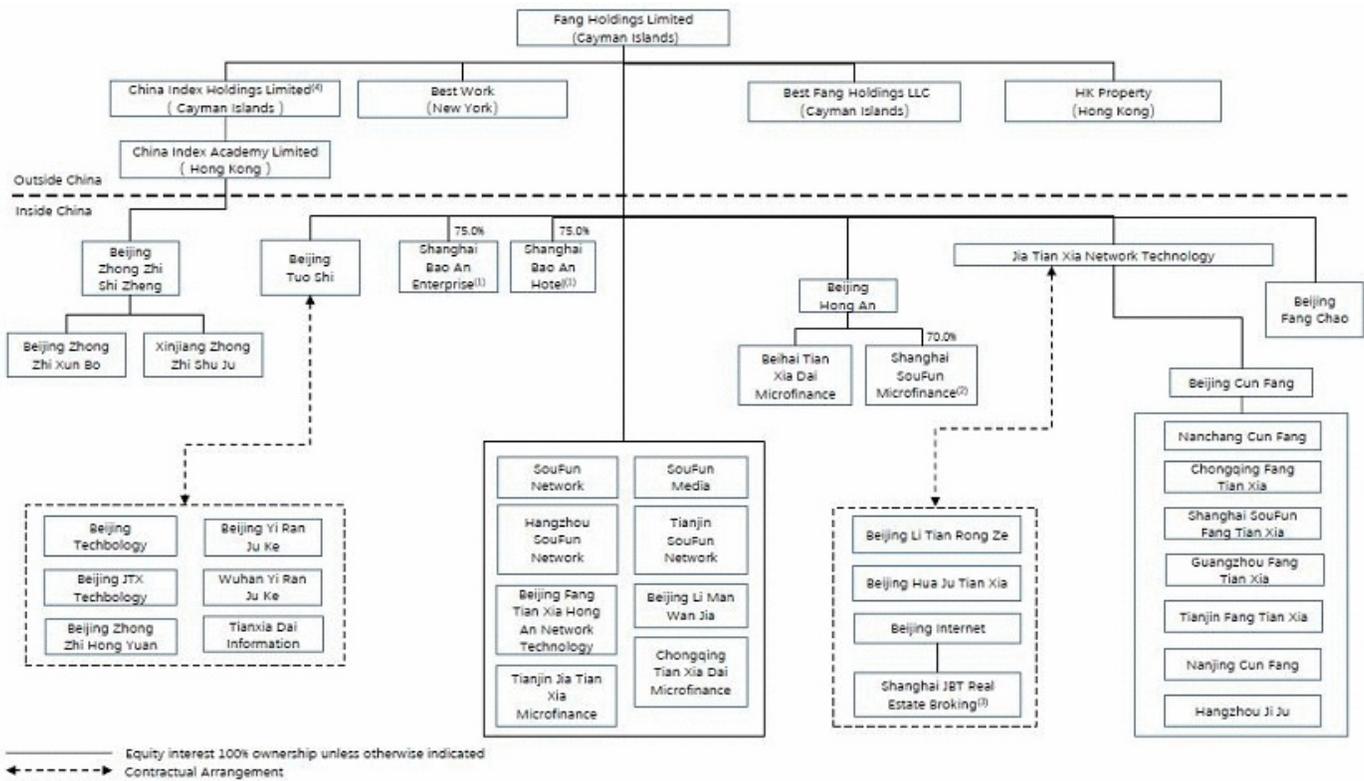
Name	Place of Formation	Relationship
Beijing Cun Fang Real Estate Broking Co., Ltd. (“Beijing Cun Fang”)	China	Wholly-owned subsidiary
Beijing Fang Chao Real Estate Broking Co., Ltd. (“Beijing Fang Chao”)	China	Wholly-owned subsidiary
Beijing Fang Tian Xia Hong An Network Technology Ltd. (previously known as Beijing Fang Tian Xia Decorative Engineering Co., Ltd.) (“Beijing Fang Tian Xia Hong An Network Technology”)	China	Wholly-owned subsidiary
Beijing Hong An Tu Sheng Network Technology Co., Ltd. (“Beijing Hong An”)	China	Wholly-owned subsidiary
Beijing Li Man Wan Jia Network Technology Co., Ltd. (“Beijing Li Man Wan Jia”)	China	Wholly-owned subsidiary
Beijing SouFun Network Technology Co., Ltd. (“Soufun Network”)	China	Wholly-owned subsidiary

Name	Place of Formation	Relationship
Beihai Tian Xia Dai Microfinance Co., Ltd. (“Beihai Tian Xia Dai Microfinance”)	China	Wholly-owned subsidiary
Beijing Tuo Shi Huan Yu Network Technology Co., Ltd. (“Beijing Tuo Shi”)	China	Wholly-owned subsidiary
Beijing Zhong Zhi Shi Zheng Information Technology Co., Ltd. (“Beijing Zhong Zhi Shi Zheng”)	China	Wholly-owned subsidiary
Beijing Zhong Zhi Xun Bo Information Technology Co., Ltd. (“Beijing Zhong Zhi Xun Bo”)	China	Wholly-owned subsidiary
Xinjiang Zhong Zhi Shu Ju Information Technology Co., Ltd. (“Xinjiang Zhong Zhi Shu Ju”)	China	Wholly-owned subsidiary
Best Work Holdings (New York) LLC	United States	Wholly-owned subsidiary
Best Fang Holdings LLC	United States	Wholly-owned subsidiary
China Index Holdings Limited (“CIH”)	Cayman Islands	Wholly-owned subsidiary
China Index Academy Limited	Hong Kong	Wholly-owned subsidiary
Chongqing Fang Tian Xia Real Estate Broking Co., Ltd. (“Chongqing Fang Tian Xia”)	China	Wholly-owned subsidiary
Chongqing Tian Xia Dai Microfinance Co., Ltd. (“Chongqing Tian Xia Dai Microfinance”)	China	Wholly-owned subsidiary
Guangzhou Fang Tian Xia Real Estate Broking Co., Ltd. (“Guangzhou Fang Tian Xia”)	China	Wholly-owned subsidiary
Hangzhou Ji Ju Real Estate Agents Co., Ltd. (“Hangzhou Ji Ju”)	China	Wholly-owned subsidiary
Hangzhou SouFun Network Technology Co., Ltd. (“Hangzhou SouFun Network”)	China	Wholly-owned subsidiary

Name	Place of Formation	Relationship
Hong Kong Property Network Limited	Hong Kong	Wholly-owned subsidiary
Nanchang Cun Fang Real Estate Broking Co., Ltd. ("Nanchang Cun Fang")	China	Wholly-owned subsidiary
Nanjing Cun Fang Real Estate Broking Co., Ltd. ("Nanjing Cun Fang")	China	Wholly-owned subsidiary
Shanghai BaoAn Enterprise Co., Ltd. ("Shanghai BaoAn Enterprise")	China	Wholly-owned subsidiary
Shanghai BaoAn Hotel Co., Ltd. ("Shanghai BaoAn Hotel")	China	Wholly-owned subsidiary
Shanghai SouFun Microfinance Co., Ltd. ("Shanghai SouFun Microfinance")	China	Wholly-owned subsidiary
Shanghai SouFun Fang Tian Xia Broking Co., Ltd. ("Shanghai SouFun Fang Tian Xia")	China	Wholly-owned subsidiary
SouFun Media Technology (Beijing) Co., Ltd. ("SouFun Media")	China	Wholly-owned subsidiary
Tianjin Jia Tian Xia Microfinance Co., Ltd. ("Tianjin Jia Tian Xia Microfinance")	China	Wholly-owned subsidiary
Tianjin Jia Tian Xia Network Technology Co., Ltd. ("Jia Tian Xia Network Technology")	China	Wholly-owned subsidiary
Tianjin Fang Tian Xia Real Estate Broking Co., Ltd. ("Tianjin Fang Tian Xia")	China	Wholly-owned subsidiary
Tianjin SouFun Network Technology Co., Ltd. ("Tianjin SouFun Network")	China	Wholly-owned subsidiary
Beijing Century Jia Tian Xia Technology Development Co., Ltd. ("Beijing JTX Technology")	China	Consolidated controlled subsidiary

Name	Place of Formation	Relationship
Beijing Hua Ju Tian Xia Network Technology Co., Ltd. (“Beijing Hua Ju Tian Xia”)	China	Consolidated controlled subsidiary
Beijing Li Tian Rong Ze Yi Jia Technology Development Co., Ltd. (“Beijing Li Tian Rong Ze”)	China	Consolidated controlled subsidiary
Beijing SouFun Internet Information Service Co., Ltd. (“Beijing Internet”)	China	Consolidated controlled subsidiary
Beijing SouFun Science and Technology Development Co., Ltd. (“Beijing Technology”)	China	Consolidated controlled subsidiary
Fang Tian Xia Financial Information Service (Beijing) Ltd. (previously known as Beijing Tianxia Dai Information service Co., Ltd.) (“Tianxia Dai Information”)	China	Consolidated controlled subsidiary
Beijing Yi Ran Ju Ke Technology Development Co., Ltd. (“Beijing Yi Ran Ju Ke”)	China	Consolidated controlled subsidiary
Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd. (“Beijing Zhong Zhi Hong Yuan”)	China	Consolidated controlled subsidiary
Shanghai Jia Biao Tang Real Estate Broking Co., Ltd. (“Shanghai JBT Real Estate Broking”)	China	Consolidated controlled subsidiary
Wuhan SouFun Yi Ran Ju Ke Real Estate Agents Co., Ltd. (“Wuhan Yi Ran Ju Ke”)	China	Consolidated controlled subsidiary

The following diagram illustrates our corporate structure including our principal subsidiaries and consolidated controlled entities as of the date of this annual report:



- * The diagram above omits the names of subsidiaries and consolidated controlled entities that are insignificant individually and in the aggregate.
- (1) Each of Shanghai BaoAn Enterprise and Shanghai BaoAn Hotel is owned as to 25.0% by Shanghai China Index, one of our consolidated controlled entities.
 - (2) Shanghai SouFun Microfinance is owned as to 20.0% by Beijing Technology and as to 10.0% by Beijing JTX Technology, both of which are our consolidated controlled entities.
 - (3) Shanghai JBT Real Estate Broking is owned as to 30.0% by Beijing Jia Tian Xia Advertising Co., Ltd. which is our consolidated controlled entity.
 - (4) On May 10, 2019, CIH publicly filed its registration statement on Form F-1 with SEC to effect the proposed separation and distribution. For more details, see “Item 4. Information on the Company— B. Business Overview— Separation of CIH.”

D. Property, Plant and Equipment

See “Item 4.B. Information on the Company—Business Overview—Facilities.”

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion of our financial condition and results of operations is based upon and should be read in conjunction with our consolidated financial statements and their related notes included elsewhere in this annual report. This discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. See “Forward-Looking Statements.” In evaluating our business, you should carefully consider the information provided under “Item 3.D. Key Information—Risk Factors.” We caution you that our businesses and financial performance are subject to substantial risks and uncertainties.

A. OPERATING RESULTS

Overview

We believe we operate a leading real estate Internet portal in China in terms of the number of page views and visitors to our websites in 2018. Our user-friendly websites and mobile apps support active online communities and networks of users seeking information on, and services for, the real estate and home-related sectors in China. Our service offerings include:

- *Marketing services:* We offer marketing services on our websites and mobile apps, mainly through advertisements, to real estate developers in the marketing phase of new property developments, as well as to real estate agencies and suppliers of home furnishing and improvement and other home-related products and services who wish to promote their products and services.
- *Listing services:* We offer basic and special listing services on our websites and mobile apps. Our basic listing services are primarily offered to real estate agents, brokers, developers, property owners and managers and suppliers of home furnishing and improvement and other home-related products and services. Our basic listing services allow our customers to post information of their products and services on our websites. Our special listing services offer specialized marketing programs through both online channels and offline themed events.
- *Financial services:* We provide financial services primarily through our offline micro loan subsidiaries. We provide primarily secured consumer loans to individuals that meet our credit assessment requirements. We launched financial services in August 2014.
- *E-commerce services:* Our e-commerce services primarily include Fang membership services, direct sales services for new homes and online sublease services. We provide both free and paid Fang membership services to our registered members. Our free services include primarily regular updates regarding local property developments, tours to visit property developments and other services relating to property purchases. Our paid services primarily include offers to purchase properties at a discount from our partner developers and dedicated information and related services to facilitate property purchases. We ceased entering into new contracts for our direct sales services for new homes, online home-decorating services and online real estate brokerage services in 2018 due to the change in our business development strategies.

Value-added services: We provide value-added services including subscription services for access to our information database and consulting services for customized and industry-related research reports and indices.

We have built a large and active community of users who are attracted by the comprehensive real estate and home-related content available on our portal that forms the foundation of our service offerings. According to our own records, in the fourth quarter of 2018, our website, www.fang.com, received a monthly average of approximately 123 million unique visitors and generated a monthly average of approximately 805 million website visits. We currently maintain approximately 65 offices to focus on local market needs.

Our revenues and net loss attributable to our shareholders in 2018 was US\$303.0 million and US\$114.9 million, respectively. Marketing, listing, financial, e-commerce and value-added services accounted for 39.5%, 37.5%, 6.0%, 5.0% and 12.0%, respectively, of our revenues in 2018.

Key Operating and Financial Performance Metrics

We monitor the key operating and financial performance metrics set forth in the tables below to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess our operational efficiencies.

Selected Metrics	Year Ended December 31	
	2017	2018
Average monthly unique visitors (million)*	115	152
Average monthly mobile unique visitors (million)*	75	117

* Source: Google Analytics for data in 2017; internal records for data in 2018

	Year Ended December 31,		
	2016	2017	2018
	(U.S. dollars in thousands)		
Total revenues	916,391	444,296	303,016
Net income (loss)	(169,635)	21,704	(114,909)
Non-GAAP net income (loss)	(173,212)	25,057	20,604
Adjusted EBITDA	(118,941)	76,316	81,397

In evaluating our financial performance, we use non-GAAP net income and adjusted earnings before interest, taxes, depreciation and amortization (“adjusted EBITDA”), which are not measures calculated in accordance with GAAP and should not be considered as an alternative to any measure of financial performance calculated and presented in accordance with GAAP. In addition, these non-GAAP measures may not be comparable to similarly titled measures of other companies because other companies may not calculate them in the same manner that we do.

Non-GAAP net income measures GAAP net income, excluding the impact of share-based compensation expense, change in fair value of securities, realized gain on available-for-sale securities, other non-operating loss, investment income, impairment on investments and one-off tax impact.

Adjusted EBITDA is defined as non-GAAP net income before income tax, excluding interest expenses, interest income, depreciation and amortization. Adjusted EBITDA, while generally a measure of profitability, excludes certain non-cash expenses, interest and other income, income taxes, and certain other items that management believes affect the comparability of operating results.

Non-GAAP net income and adjusted EBITDA are key measures used by our management and board of directors to understand and evaluate our core operating performance and trends. In particular, we believe that the exclusion of the income and expenses in calculating non-GAAP net income and adjusted EBITDA can provide a useful measure for period-to-period comparisons of our core business. Accordingly, we believe that non-GAAP net income and adjusted EBITDA provide useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors.

These non-GAAP measures have limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of our financial results as reported under GAAP. Some of these limitations are:

- non-GAAP net income does not reflect the potentially dilutive impact of equity-based compensation;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditures;
- adjusted EBITDA does not reflect tax payments that historically have represented a reduction in cash available to us or tax benefits that may arise as a result of generating net losses; and
- other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces its usefulness as a comparative measure.

The following tables present reconciliations of net income to non-GAAP net income and net income to adjusted EBITDA from continuing operations for each of the periods indicated:

Reconciliation of net income and non-GAAP net income	Year Ended December 31,		
	2016	2017	2018
	(U.S. dollars in thousands)		
GAAP net income (loss)	(169,635)	21,704	(114,909)
Reconciliation items:			
Share-based compensation	9,477	7,218	14,082
Impairment on investments	2,232	2,768	—
Other non-operating loss	—	4,562	(30)
Realized gain on available-for-sale securities	—	(2,736)	(1,493)
Investment income	(13,864)	(6,692)	(6,816)
Change in fair value of securities	-	(518)	167,402
Subtotal	(2,155)	4,602	173,145
Tax impact of reconciliation items	(1,422)	(1,249)	(37,632)
Non-GAAP net income (loss)	(173,212)	25,057	20,604

Reconciliation of net income and adjusted EBITDA	Year Ended December 31,		
	2016	2017	2018
	(U.S. dollars in thousands)		
GAAP net income (loss)	(169,635)	21,704	(114,909)
<i>Add Back</i>			
Share-based compensation	9,477	7,218	14,082
Impairment on investments	2,232	2,768	-
Change in fair value of securities	-	(518)	167,402
Interest expenses	20,791	16,153	21,174
Income tax expenses	24,983	21,442	-
Depreciation and amortization expenses	18,442	23,737	26,735
<i>Subtract</i>			
Investment income	(13,864)	(6,692)	(6,816)
Realized gain on available-for-sale securities	-	(2,736)	(1,493)
Interest income	(11,367)	(11,322)	(10,302)
Other non-operating loss	-	4,562	(30)
Income tax benefits	-	-	(14,446)
Adjusted EBITDA	(118,941)	76,316	81,397

Re-election of Directors

On December 7, 2018, upon approval of our shareholders, Mr. Shaohua Zhang was re-elected as an independent director of our board of directors and a member of the audit committee of the board.

Factors Affecting Our Results of Operations

Economic growth in China and in the PRC real estate market

We conduct substantially all of our business and operations in China. Accordingly, our results of operations have been, and are expected to continue to be, affected by the general performance of China's economy. As a leading real estate Internet portal, our financial results have also been affected by the performance of the real estate and home furnishing and improvement sectors in China.

Growth in China's Internet and online marketing sectors

We are an Internet portal company and a majority of our revenues are generated from our marketing and listing services. As such, our results of operations are heavily dependent on the successful and continued development of China's Internet and online marketing sectors. The Internet has emerged as an increasingly attractive and cost-effective advertising channel in China, especially as the number of Internet users, disposable income of urban households and network infrastructure in China have increased.

Performance of certain geographic areas and urban centers in China

A substantial portion of our revenues are concentrated in China's major urban centers including Beijing, Shanghai, Chengdu, Chongqing, Tianjin and Shenzhen. Although our percentage of revenues from these six urban centers has decreased as we expanded our operations elsewhere in China, we expect customers in these cities to continue to represent a significant portion of our revenues in the near term. We may also expand into new geographic areas and sectors. As of December 31, 2018, we had established real estate-related content, search services, marketing and listing coverage of more than 658 cities across China, and our Fang membership services, which were launched in 2011, were offered in 98 cities. The financial performance of newly penetrated cities will have a substantial impact on our results of operations as we expand into new markets, as we may incur significant additional operating expenses, including hiring new sales and other personnel, in order to expand our operations.

Competition in China's online real estate and home-related Internet services

We face competition from other companies in each of our primary business activities. In particular, the online real estate and home-related Internet service market in China has become increasingly competitive, and such competition may continue to intensify in future periods. As the barriers to entry for establishing Internet-based businesses are typically low, it is possible for new entrants to emerge and rapidly scale up their operations. We expect additional companies to enter the online real estate and home-related Internet service industry in China and a wider range of online services in this area to be introduced.

We expect to face additional competition as we develop and offer new services. For example, we began to offer direct sales services for new homes in August 2014, online real estate brokerage services in January 2015, and online home-decorating services and online sublease services in the second quarter of 2015. Some of our customers offer the same or similar services. Accordingly, we may face competition from these customers. In addition, such competition may adversely affect our relationships with these customers and our business.

PRC regulations affecting the Internet, online marketing, real estate and financing industries

The Internet, online marketing, real estate and financing industries in China are heavily regulated. PRC laws, rules and regulations cover virtually every aspect of these industries, including entry into the industry, the scope of permissible business activities and foreign investment. The PRC government also exercises considerable direct and indirect influence over these industries by imposing industry policies and other economic measures. Many of these regulations have recently been implemented and are expected to be refined and adjusted over time. Moreover, the PRC government regulates interest rates, real estate transaction taxes and the acquisition and ownership of real estate. It also regulates Internet access and the distribution of news, information or other content, as well as products and services, through the Internet. The PRC government also levies business taxes, value-added taxes, surcharges and cultural construction fees on advertising-related sales in China, such as sales of our marketing, listing, financial, e-commerce and value-added services. In addition, because certain of our PRC subsidiaries and consolidated controlled entities currently qualify as “high and new technology enterprises” or “Software Enterprise,” they enjoy tax holidays or lower rates from the relevant PRC tax authorities or under local governmental policies. If we were to lose such preferential tax treatment, we would be subject to a higher enterprise income tax rate, which would have a material adverse effect on our financial condition, results of operations and profitability. See “Item 4.B. Information on the Company—Business Overview—Regulation.” Political, economic and social factors may also lead to further policy refinement and adjustments. The imposition of new laws and regulations, or changes to current laws and regulations, could have a material impact on our business, financial condition and results of operations.

Our ability to grow financial services while maintaining effective risk management

We began to offer financial services in the third quarter of 2014. We offer secured entrusted loans, mortgage loans as well as unsecured loans to real estate developers, property buyers and other borrowers and charge interest, service fees and guarantee fees. In 2018, our financial services primarily focused on secured consumer loans to individual borrowers. As of December 31, 2018, we had loans receivable with a principal balance of US\$127.7 million. The lending market has historically been dominated by commercial banks and other financial institutions. Compared with these market participants, we have significant less experience in managing the lending business. The growth of our financial services will depend on our ability to develop attractive loan products and services and manage related credit risk.

Demand for home furnishing and improvement information and products

As China's real estate market has expanded and matured, the ancillary home furnishing and improvement industry has also been growing to meet rising consumer demand. Similarly, we have expanded our marketing and listing services to suppliers of home furnishing and improvement products and services. By adding this category of advertisers and clients, we have been able to expand our sources of marketing and listing service revenues and, accordingly, expect the rate of increase in our revenues to continue to benefit from the continued growth of China's home furnishing and improvement sectors.

Our ability to grow the retained business following the completion of the proposed separation of CIH from us

On May 2, 2019, our board of directors approved our plan to separate CIH into an independent publicly traded company, whose business will comprise certain portions of our listing and value-added services. Following the completion of the proposed separation and distribution, we will continue to retain our business operating a real estate Internet portal in China and will pursue our strategy of enhancing our online operations and residential property-related business. We anticipate dedicating our managerial attention and resources to developing the retained business in light of the distinct needs of China's residential property market, and whether we can continue to grow the retained business depends on our ability to manage and develop such business effectively.

Basis of Presentation

To comply with applicable PRC laws, rules and regulations restricting foreign ownership of companies that operate Internet content provision and online advertising services, we operate our websites and mobile apps and provide such services in China through contractual arrangements with our consolidated controlled entities. Under the current regulatory regime, Internet content distribution is permitted to operators with less than 50.0% foreign investment and advertising is permitted to all qualified operators. We may consider further optimizing our corporate structure in light of the evolving regulatory environment. The equity interests of the consolidated controlled entities are held directly or indirectly by Mr. Mo, our founder, executive chairman and chief executive officer, together with Mr. Dai, a former director and former chief executive officer, or Ms. Huang, the chief executive officer of CIH, but the effective control of the consolidated controlled entities has been transferred to us through a series of Structure Contracts. We have funded these consolidated controlled entities' paid-in capital by extending loans to Mr. Mo, Mr. Dai and Ms. Huang. Pursuant to the terms of the Structure Contracts, we are obligated to bear substantially all of the risk of losses from our consolidated controlled entities' activities and are entitled to receive substantially all of their profits, if any. See "Item 7.B. Major Shareholders and Related Party Transactions—Related Party Transactions—Structure Contracts" and our consolidated financial statements included elsewhere in this annual report.

Based on these Structure Contracts, we believe that, notwithstanding our lack of equity ownership, the arrangements provide us with effective control over our consolidated controlled entities. Accordingly, the financial results of these entities are included in our consolidated financial statements.

We refer to our consolidated controlled entities as PRC entities we control through contractual arrangements together with their subsidiaries, or the PRC Domestic Entities and the PRC Domestic Entities' subsidiaries in our consolidated financial statements and related notes included elsewhere in this annual report.

Components of our Results of Operations

Revenues

We derive our revenues from marketing services, listing services, financial services, e-commerce services, and value-added services.

Marketing Services

Our marketing service revenues consist of revenues derived from the advertising services provided by our new home, secondary and rental properties and home furnishing and improvement businesses. Our marketing services include the deployment on our websites and mobile apps of banners, links, logos and floating signs.

Listing Services

Our listing service revenues consist of revenues derived from both basic listing services and special listing services. Basic listing services are targeted at real estate agents, brokers, developers, property owners, property managers and others seeking to sell or rent new and secondary properties and allow visitors to our websites and mobile apps to search for product suppliers and service providers in China's home furnishing and improvement sector. Revenues from basic listing services are predominantly derived from our secondary and rental business. Special listing services are specialized marketing campaigns primarily to promote brands of leading developers. Leveraging our data analytical capabilities, we assess the strengths of the brands of companies in various real estate sectors and create a special listing campaign to recognize the leading companies in those sectors. Once the special listing campaigns are determined, we establish a marketing and promotional program consisting of various online and offline promotional activities, which together collectively promote the special listings. The program includes online marketing platforms such as our websites and WeChat and offline themed events such as conferences, discussion forums and banquets.

Financial Services

Our revenues from financial services consist of interest income and service fees from primarily secured consumer loans to individuals that meet our credit assessment requirements.

E-commerce Services

Our e-commerce services, first launched in 2011, primarily include Fang membership services, direct sales services for new homes and online sublease services. Our Fang membership services enable paid members to purchase specified properties from our partner real-estate developers at a discount significantly greater than the membership fees charged by us. We ceased entering into new contracts for our direct sales services for new homes, online home-decorating services and online real estate brokerage services in early 2018 due to the change in our business development strategies.

Value-added services

We provide value-added services including subscription services for access to our information database and consulting services for customized and industry-related research reports and indices.

Cost of Revenues

Our cost of revenues includes cost of services. Cost of services primarily consists of staff costs, tax surcharges, operating lease expenses, network costs, communication expenses, share-based compensation expenses and other costs directly related to the offering of our listing, marketing, E-commerce, financial and value-added services. Prior to January 1, 2018, value-added taxes were also included in cost of revenues. Staff costs include salary and benefits paid to members of our editorial staff, customer service personnel, personnel dedicated to servicing and designing websites and mobile apps for our customers and personnel in the brokerage function. E-commerce cost refers to the portion of proceeds to be remitted to real estate brokers under our Fang membership services. Operating lease expenses consist primarily of rent for our various office facilities as allocated on the basis of the space occupied by our editorial staff and customer service personnel. Network costs consist of server hosting fees, bandwidth fees and related charges. Communication costs consist of telephone expenses relating to our operations. Cost of revenues also includes share-based compensation expenses in connection with share options and other share-based compensation granted to our editorial and production staff. In 2016, 2017 and 2018, our cost of revenues represented 75.0%, 39.3% and 19.3% of our revenues, respectively. We have adopted the new revenue recognition standards, ASC 606, effective January 1, 2018, which relate to the change in the presentation of value-added tax from gross basis to net basis. For the impact of adopting ASC 606 on our cost of revenues, see “—Recent Accounting Pronouncements.”

Operating Expenses

Our operating expenses consist of selling expenses and general and administrative expenses.

Selling Expenses

Our selling expenses primarily consist of staff costs, such as salaries and benefits paid to personnel in our sales and distribution department, costs for promoting our Fang membership services, operating lease expenses, which include rental expenses related to our selling and distribution department, traveling and communication expenses, office expenses and advertising and promotion expenses, including fees we pay to other Internet portals for the purpose of promoting and increasing traffic to our websites and mobile apps. Selling expenses also include other expenses incurred in relation to our selling and distribution activities and share-based compensation costs in connection with share options and other share-based compensation granted to our sales and marketing personnel.

General and Administrative Expenses

General and administrative expenses primarily consist of staff costs, such as salaries and benefits paid to our management and general administrative, product and development personnel, bad debt expense relating to uncollectible accounts and loans receivable, office expenses, communication expenses, professional service fees and other expenses for general and administrative purposes, as well as maintenance expenses. Our general and administrative expenses also include share-based compensation costs in connection with share options and other share-based compensation granted to our general administrative, technical and research personnel.

Taxation

We are subject to income tax on an entity basis on profits arising in or derived from the jurisdictions where we, our subsidiaries or our consolidated controlled entities are domiciled or have operations.

Cayman Islands

Under the current laws of the Cayman Islands, the company and subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. In addition, upon payments of dividends by us to our shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands, or BVI, subsidiaries incorporated in the BVI are not subject to tax on income or capital gains. In addition, upon payments of dividends by these companies to their shareholders, no BVI withholding tax will be imposed.

Hong Kong

Under the Hong Kong tax laws, subsidiaries in Hong Kong are subject to the Hong Kong profits tax rate at 16.5% and they are exempted from income tax on their foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends. A two-tiered profits tax rates regime was introduced in 2018 where the first HK\$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) while the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiaries in Hong Kong have no assessable profits for the three years ended December 31, 2018.

United States

On December 22, 2017, the Tax Act was enacted and contains significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes focused on foreign-sourced earnings and related-party payments, including the creation of the base erosion anti-abuse tax and a new tax on global intangible low-taxed income, or GILTI.

The SEC staff issued SAB 118 on December 22, 2017, which allows companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date.

The Tax Act reduces the U.S. statutory tax rate from 35% to 21% for years after 2017. Accordingly, we re-measured our deferred taxes as of December 31, 2017, to reflect the reduced rate that will apply in future periods when these deferred taxes are settled or realized. As Best Work Holdings (New York) LLC is loss making since incorporated, therefore we recognized a deferred tax asset of US\$13,834 to reflect the reduced U.S. tax rate and full valuation allowance is provided and corresponding remeasurement were made to unrecognized tax benefit and valuation allowance.

Singapore

Our Singapore-incorporated subsidiary does not conduct any substantive operations of its own. No provision for Singapore profits tax has been made in the financial statements as this entity has no assessable profits for the three years ended December 31, 2018.

China

In March 2007, a new enterprise income tax law in China was enacted and then amended in February 2017 and December 2018. The New EIT Law applies a unified 25% enterprise income tax, or EIT, rate to both foreign invested enterprises and domestic enterprises, unless a preferential EIT rate is otherwise stipulated. On April 14, 2008, relevant governmental regulatory authorities issued the Administrative Measures for Certification of High and New Technology Enterprises which was amended in January 2016. High and New Technology Enterprise, or HNTE, status under the New EIT Law would entitle qualified and approved entities to a favorable EIT tax rate of 15%. The SAT issued Circular No. 203 in April 2009 and Circular 24 in June 2017 stipulating that entities which qualified for the HNTE status should apply with competent tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. The HNTE certificate is effective for a period of three years and can be renewed for another three years. Subsequently, an entity needs to re-apply for the HNTE status in order to enjoy the preferential tax rate of 15%.

We obtained HNTE certificates for SouFun Media, Beijing Zhong Zhi Shi Zheng, SouFun Network, Beijing Technology, Beijing JTX Technology and Beijing Hong An Tu Sheng in November 2015 and have subsequently renewed such HNTE certificates in September and October 2018. Therefore, these six subsidiaries can enjoy the preferential tax rate of 15% from 2015 to 2020. We newly applied for the HNTE status for Beijing Tuoshi in 2016 and received the HNTE certificate in December 2016. Beijing Tuoshi can enjoy the preferential tax rate of 15% for 2016, 2017 and 2018. We newly applied for the HNTE status for Beijing Li Man Wan Jia, Beijing Hua Ju Tian Xia and Beijing Zhong Zhi Xun Bo in 2018 and received the HNTE certificates in September and October 2018. Beijing Li Man Wan Jia, Beijing Zhong Zhi Xun Bo and Beijing Hua Ju Tian Xia can enjoy the preferential tax rate of 15% for 2018, 2019 and 2020. We newly applied for the Xinjiang Huoerguosi Economic and Technological Development Zone tax preference status for Xinjiang Zhongzhi in 2017 and received the certificates in September 2017. Xinjiang Zhongzhi can enjoy the preferential tax rate of 0% for 2017, 2018, 2019 and 2020.

If any entities fail to maintain the HNTE qualification under the New EIT Law, they will no longer qualify for the preferential tax rate of 15%, which could have a material and adverse effect on our results of operations and financial position provided that they do not qualify for any other preferential tax treatment. Historically, the abovementioned PRC subsidiaries have successfully obtained or renewed their HNTE certificates when the previous certificates had expired.

Subsequent to government approval in May 2014, Beijing Li Man Wan Jia, Beijing Zhong Zhi Xun Bo and Beijing Hua Ju Tian Xia obtained the Software Enterprise status with effect from January 1, 2013. Accordingly, these three subsidiaries are entitled to the two-year EIT exemption for years 2013 and 2014 and a reduced EIT rate of 12.5% for years 2015, 2016 and 2017.

Dividends paid by our PRC subsidiaries out of the profits earned after December 31, 2007 to non-PRC tax resident investors are subject to PRC withholding tax. The withholding tax on dividends is 10%, unless a foreign investor's tax jurisdiction has a tax treaty with the PRC that provides a lower withholding tax rate and the foreign investor is recognized as the beneficial owner of the income under the relevant tax rules.

Moreover, the New EIT Law treats enterprises established outside of China with "effective management and control" located in China as PRC resident enterprises for tax purposes. The term "effective management and control" is generally defined as exercising overall management and control over the business, personnel, accounting, properties, etc. of an enterprise. Our company, if considered a PRC resident enterprise for tax purposes, would be subject to the PRC EIT at the rate of 25% on our worldwide income for the period after January 1, 2008. As of December 31, 2017 and 2018, we accrued nil and US\$50 for PRC tax on such basis.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions that affect the reported amounts of our assets and liabilities, disclosure of contingent assets and liabilities on the date of each set of financial statements and the reported amounts of revenues and expenses during each financial reporting period. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates and assumptions is an integral component of the financial reporting process, actual results could differ from those estimates and assumptions.

An accounting policy is considered to be critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically could materially impact the consolidated financial statements. We believe the following critical accounting policies reflect the more significant estimates and assumptions used in the preparation of our consolidated financial statements. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included elsewhere in this annual report.

Revenue Recognition

Periods prior to January 1, 2018

Revenue recognition for multiple-element arrangements requires judgment to determine if multiple elements exist, whether elements can be accounted for as separate units of accounting, and if so, the fair value for each of the elements.

We enter into arrangements that can include various combinations of services. Where elements are delivered over different periods of time, and when allowed under U.S. GAAP, revenue is allocated to the respective elements based on their relative selling prices at the inception of the arrangement, and revenue is recognized as each element is delivered. We use a hierarchy to determine the fair value to be used for allocating revenue to elements: (1) vendor-specific objective evidence of fair value, or VSOE, (2) third-party evidence, and (3) best estimate of selling price, or ESP. Generally, VSOE is the price charged when the deliverable is sold separately or the price established by management for a product that is not yet sold if it is probable that the price will not change before introduction into the marketplace. ESPs are established as best estimates of what the selling prices would be if the deliverables were sold regularly on a stand-alone basis. The process of determining ESPs requires our judgment and consideration of multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable.

Adoption of ASC 606, Revenue from Contracts with Customers

We adopted the new revenue recognition standards, or ASC 606, effective January 1, 2018 using the modified retrospective method for contracts which were not completed at the date of initial adoption.

Our policy before the adoption of ASC 606 was to require written signed contracts by both us and our customers as persuasive evidence of our revenue arrangements. In certain cases where services are being delivered prior to the receipt of the written signed contracts by both parties, revenue had been deferred until such time the written signed contracts are collected. Under the new revenue standard, revenues may be recognized prior to the receipt of the written signed contracts by both parties (assuming all other revenue recognition criteria are satisfied), as long as the revenue arrangements between us and our customers are legally enforceable. As a result, we made an adjustment to increase the opening balance of retained earnings as of January 1, 2018 by US\$2.8 million.

Before the adoption of ASC 606, we assessed whether collectability is reasonably assured at the outset of the arrangement, and subsequently reassessed if there was a substantive change in facts and circumstances. If the collectability of all or a portion of the fee is not reasonably assured, all revenue recognition were deferred until payment was received (assuming all of the other revenue recognition criteria have been met). Upon the adoption of ASC 606, if it is not probable that we will collect substantially all of the consideration to which we will be entitled in exchange for the goods or services that will be transferred to the customer, consideration received from the customer is initially recorded as a liability. We will recognize nonrefundable consideration received as revenue only when one of the following events has occurred:

- we have no remaining obligations to transfer goods or services to the customer and all, or substantially all of the consideration has been received;
- the contract has been terminated; or
- we have transferred control of the goods or services to which the consideration that has been received relates, and has stopped transferring (and have no obligation under the contract to transfer) additional goods or services to the customer, if applicable.

As a result, we made an adjustment to decrease the opening balance of retained earnings as of January 1, 2018 by US\$0.5 million.

In addition, our revenues are presented net of value-added tax collected on behalf of governments starting from January 1, 2018. Prior to January 1, 2018, value-added tax collected on behalf of governments was presented as gross in both revenues and cost of revenues. We have elected to adopt the practical expedient for incremental costs to obtain a contract with a customer, with amortization periods of one year or less to be recorded in selling and marketing expenses when incurred. We have elected the practical expedient not to disclose the information about remaining performance obligations which are part of the contracts that have an original expected duration of one year or less.

The disclosure of the impact of adoption on the consolidated balance sheets was as follows:

	As of December 31, 2018	Adjustments	Amounts without adoption of ASC 606
	(US\$ in thousands)		
Accounts receivable	60,950	379	61,329
Deferred revenue	(163,346)	(11,633)	(174,979)
Accrued expenses and other liabilities	(131,268)	9,701	(121,567)
Other non-current liabilities	(153,095)	555	(152,540)

The impact for adoption of ASC 606 to our consolidated statement of comprehensive income (loss) for the year ended December 31, 2018 is as follows:

	Year ended December 31, 2018	Adjustments	Amounts without adoption of ASC 606
	(US\$ in thousands)		
E-commerce services	15,384	928	16,312
Marketing services	119,680	8,740	128,420
Listing services	113,534	5,717	119,251
Financial services	18,060	1,068	19,128
Value-added services	36,358	2,893	39,251
Total revenues	303,016	19,346	322,362
Cost of services	(58,570)	(18,117)	(76,687)
Operating income	39,803	1,229	41,032
Net loss	(114,909)	1,229	(113,680)
Loss per share for Class A and Class B ordinary shares			
Basic and Diluted	(1.29)	0.01	(1.28)

Since the adoption of ASC 606 starting from January 1, 2018, we recognize revenues upon the satisfaction of its performance obligation in an amount that reflects the consideration to which we expect to be entitled to in exchange for those goods or services, excluding amounts collected on behalf of third parties, such as value-added taxes. For each performance obligation satisfied over time, we recognize revenue over time by measuring the progress toward complete satisfaction of that performance obligation. If we do not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

Our contracts with customers often include promises to transfer multiple products and services. For these contracts, we account for individual performance obligations separately if they are capable of being distinct and distinct within the context of the contract. Determining whether products and services are considered distinct performance obligations may require significant judgment. Judgment is also required to determine the stand-alone selling price, or SSP, for each distinct performance obligation. In instances where SSP is not directly observable, such as when we do not sell the product or service separately, we determine the SSP using information that may include market conditions and other observable inputs.

Accounts Receivable and Allowance for Doubtful Accounts

We review the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances.

We consider many factors in assessing the collectability of its receivables, such as, the age of the amounts due, the customer's payment history and credit-worthiness. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. Accounts receivable balances are written off after all collection efforts have been exhausted.

Loans Receivable

Loans receivable consists primarily of secured consumer loans to individuals that have passed our credit assessment. Such amounts are recorded at the principal amount less impairment as of the balance sheet date. The loan periods extended by us to the borrowers generally range from one to thirty-six months.

An allowance for credit loss is recorded when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. We assess the allowance for credit loss related to loans receivable on a quarterly basis, either on an individual or collective basis. We consider various factors in evaluating loans receivable for possible impairment on an individual basis. These factors include the amount of the loan, historical experience, value of collateral, if any, credit quality and age of the receivables balances. Impairment is measured on an individual loan basis using either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is secured. We evaluate the remainder of our loans receivables portfolio for impairment on a collective basis in accordance with ASC 450-20, "Loss Contingencies" and record an allowance for credit loss at the portfolio segment level.

Loan principal and interest receivables are charged-off when the loan principal and interest receivables are deemed to be uncollectible, which is generally identified if any of the following conditions are met : (1) the borrower is dead, missing or incapacitate and there is no legal heir and presentee or the legal heir and presentee refuse to abide the contract; (2) identification of fraud, and the fraud is officially reported to and filed with relevant law enforcement departments; (3) outstanding amount following 180 days past due after all collection efforts based on management's judgment.

Income Taxes

We follow the liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards, if any. We reduce carrying amounts of deferred tax assets by a valuation allowance, if, based on the available evidence, it is “more-likely-than-not” that such assets will not be realized. Accordingly, we assess the need to establish valuation allowances for deferred tax assets at each reporting period based on a “more-likely-than-not” realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carryforward periods, our experience with operating loss and tax credit carryforwards, if any, not expiring.

We apply ASC 740, “Income Taxes” to account for uncertainties in income taxes. In accordance with the provisions of ASC 740, we recognize in our financial statements the impact of a tax position if a tax return position or future tax position is “more-likely-than-not” to prevail based on the facts and technical merits of the position. Tax positions that meet the “more-likely-than-not” recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement.

Our estimated liability for unrecognized tax benefits, which is included in “other non-current liabilities,” is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits and expiration of the statutes of limitation. The outcome for a particular audit cannot be determined with certainty prior to the conclusion of the audit and, in some cases, the appeal or litigation process. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our financial statements. Additionally, in future periods, changes in facts, circumstances and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur.

Interest and penalties arising from underpayment of income taxes are computed in accordance with the relevant tax laws. The amount of interest expense is computed by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return. Interest and penalties recognized in accordance with ASC 740 are classified in our consolidated statements of comprehensive income (loss) as income tax expense.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board, or FASB, established Topic 842, Leases, by issuing ASU No. 2016-02, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, Land Easement Practical Expedient for Transition to Topic 842; ASU No. 2018-10, Codification Improvements to Topic 842, Leases; and ASU No. 2018-11, Targeted Improvements. The new standard establishes a right-of-use model, or ROU, that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for public business entities for annual periods beginning after December 15, 2018, and interim periods therein. For all other entities, the standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. We adopted the new standard on January 1, 2019 and used the effective date as the date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provides a number of optional practical expedients in transition. We elected the ‘package of practical expedients’, which permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs.

Leases currently classified as operating leases in Note 21 of our consolidated financial statements will be reported on the consolidated balance sheets upon adoption at their net present value, which will increase total assets and liabilities. We expect to recognize the right-of-use assets and lease liability in the amount of approximately US\$5.7 million respectively as of January 1, 2019. We used our estimated incremental borrowing rate based on information available at the date of adoption in calculating the present value of our existing lease payments. The adoption of ASC 842 is not expected to have a material impact to our consolidated statements of comprehensive income (loss) or net cash provided by operating activities.

The adoption of ASC 842 is not expected to have a material impact to the accounting and disclosure of sublease services in which we are the lessor.

In June 2016, the FASB issued ASU No. 2016-13, or ASU 2016-13, Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. The standard will replace “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. The standard is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. We are currently evaluating the impact of adopting this standard on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement. ASU 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements. The amendments applicable to the disclosures of changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial year of adoption. This ASU is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted, and an entity is also permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. We are in the process of evaluating the impact on our consolidated financial statements upon adoption.

Results of Operations

The following table sets forth selected financial data from our consolidated statements of comprehensive income for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	Amount	Percentage of revenue	Amount	Percentage of revenue	Amount	Percentage of revenue
(US\$ in thousands, except percentage)						
Revenues						
E-commerce services	577,684	63.0%	87,809	19.8%	15,384	5.0%
Marketing services	165,437	18.1%	149,267	33.6%	119,680	39.5%
Listing services	118,109	12.9%	165,374	37.2%	113,534	37.5%
Financial services	29,602	3.2%	12,055	2.7%	18,060	6.0%
Value-added services	25,559	2.8%	29,791	6.7%	36,358	12.0%
Total revenues	916,391	100.0%	444,296	100.0%	303,016	100.0%
Cost of revenues						
Cost of services	(687,184)	(75.0)%	(174,599)	(39.3)%	(58,570)	(19.3)%
Total cost of revenues	(687,184)	(75.0)%	(174,599)	(39.3)%	(58,570)	(19.3)%
Gross profit	229,207	25.0%	269,697	60.7%	244,446	80.7%
Operating income (expenses)						
Selling expenses	(229,817)	(25.1)%	(91,250)	(20.5)%	(69,532)	(22.9)%
General and administrative expenses	(151,251)	(16.5)%	(135,688)	(30.5)%	(138,386)	(45.7)%
Other income (loss)	415	-	(567)	(0.1)%	3,275	1.1%
Operating income (loss)	(151,446)	(16.5)%	42,192	9.5%	39,803	13.1%
Foreign exchange gain (loss)	(1,882)	0%	15	-	(598)	(0.2)%
Interest income	11,367	1.2%	11,322	2.5%	10,302	3.4%
Interest expenses	(20,791)	(2.3)%	(16,153)	(3.6)%	(21,174)	(7.0)%
Change in fair value of securities	-	-	518	0.1%	167,402	(55.2)%
Realized gain on available-for-sale securities (including accumulated other comprehensive income reclassifications for unrealized gain on available-for-sale securities of US\$10,583, US\$2,736 and US\$1,493 for the years ended December 31, 2016, 2017 and 2018, respectively)	10,583	1.2%	2,736	0.6%	1,493	0.5%
Government grants	6,469	0.7%	3,154	0.7%	1,435	0.5%
Investment income	3,281	0.4%	6,692	1.5%	6,816	2.2%
Impairment on investments	(2,232)	(0.2)%	(2,768)	(0.6)%	-	-
Other non-operating income	-	-	(4,562)	(1.0)%	(30)	0.0%
Income (loss) before income taxes and noncontrolling interests	(144,651)	(15.8)%	43,146	9.7%	(129,355)	(42.7)%
Income tax (expenses) benefit	(24,984)	(2.7)%	(21,442)	(4.8)%	14,446	4.8%
Net income (loss)	(169,635)	(18.5)%	21,704	4.9%	(114,909)	(37.9)%
Net income (loss) attributable to noncontrolling interests	-	-	(3)	-	2	0.0%

	Year Ended December 31,					
	2016		2017		2018	
	Amount	Percentage of revenue	Amount	Percentage of revenue	Amount	Percentage of revenue
(US\$ in thousands, except percentage)						
Net income (loss) attributable to Fang Holdings Limited's shareholders	(169,635)	(18.5)%	21,707	4.9%	(114,911)	(37.9)%

Revenues

Our revenue decreased 31.8% year-over-year in 2018, primarily due to decline in revenue from e-commerce and listing service. Our revenues decreased 51.5% year-over-year in 2017, primarily due to a significant decline in revenues from e-commerce services as a result of changes in our business strategy.

Marketing Services. Our marketing service revenues consist of revenues derived from the advertising services provided by our new home, secondary and rental properties and home furnishing and improvement businesses. Our marketing services include the deployment on our websites respectively, and mobile apps of banners, links, logos and floating signs. Revenues from marketing services decreased 19.8% and 9.8% year-over-year in 2018 and 2017, respectively, primarily due to (1) the revenues are presented net of value-added tax collected on behalf of government due to the adoption of ASC 606 from January 1, 2018, and (2) a slowdown in the real estate market and the increased competition for similar services in China. In 2016, 2017 and 2018, revenues generated from our marketing services represented 18.1%, 33.6% and 39.5% of our revenues, respectively.

The following table presents our marketing service revenues for each of our businesses by amount and percentage of total marketing service revenues for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	Amount	Percentage of marketing service revenues	Amount	Percentage of marketing service revenues	Amount	Percentage of marketing service revenues
(US\$ in thousands, except percentage)						
New home	144,631	87.4%	121,497	81.4%	119,352	99.7%
Home furnishing and improvement	19,171	11.6%	-	-	328	0.3%
Secondary and rental	1,635	1.0%	27,770	18.6%	-	-
Total marketing service revenues	165,437	100.0%	149,267	100.0%	119,680	100.0%

New home business accounted for 87.4%, 81.4% and 99.7% of our marketing service revenues in 2016, 2017 and 2018, respectively. New home business primarily consists of marketing services for newly developed properties for sale. Our new home customers are largely real estate developers and their sales agents who are promoting newly developed properties for sale.

Listing Services. Revenues from our listing services decreased 31.3% in 2018, primarily due to (1) the presentation on a net basis of value-added tax following the adoption of ASC 606 from January 1, 2018, and (2) the decrease in number of paying subscribers. Revenue from our listing services increased 40.0% year-over-year in 2017, primarily due to an increase in the number of customers, in particular those from lower-tier cities, who paid for our services. In 2016, 2017 and 2018, revenues from our listing services represented 12.9%, 37.2% and 37.5% of our revenues, respectively. We believe that listing service revenues will continue to remain a significant source of revenue. However, regulatory efforts to require additional down payments and other actions to dampen the growing market for secondary homes have impacted and may continue to impact our revenues.

The following table sets forth our listing service revenues by amount and percentage of our listing service revenues for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	Amount	Percentage of listing service revenues	Amount	Percentage of listing service revenues	Amount	Percentage of listing service revenues
	(US\$ in thousands, except percentage)					
Basic listing	91,742	77.7%	140,517	85.0%	84,482	74.4%
Special listing	26,367	22.3%	24,857	15.0%	29,052	25.6%
Total listing service revenues	118,109	100.0%	165,374	100.0%	113,534	100.0%

The average revenue per paying subscriber was US\$567, US\$623 and US\$400 for 2016, 2017 and 2018, respectively.

The following table presents our listing service revenues for each of our businesses by amount and percentage of total listing service revenues for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	Amount	Percentage of listing service revenues	Amount	Percentage of listing service revenues	Amount	Percentage of listing service revenues
	(US\$ in thousands, except percentage)					
Secondary and rental properties	94,507	80.0%	140,492	85.0%	84,773	74.7%
Research	22,959	19.4%	24,522	14.8%	28,748	25.3%
Other	643	0.5%	360	0.2%	13	0.0%
Total listing service revenues	118,109	100.0%	165,374	100.0%	113,534	100.0%

Secondary and rental properties business accounted for 80.0%, 85.0% and 74.7% of our listing service revenues in 2016, 2017 and 2018, respectively.

Financial Services. Revenues from financial services increased 49.8% year-over-year in 2018, primarily due to (1) increased average balance of loans receivable, partially offset by the presentation on a net basis of value-added tax following the adoption of ASC 606 from January 1, 2018. Revenues from financial services decreased 59.3% year-over-year in 2017, primarily due to the decreased transaction volumes of secondary homes. In 2016, 2017 and 2018, revenues from financial services represented 3.2%, 2.7% and 6.0% of our revenues, respectively.

E-commerce Services. Revenues from e-commerce services decreased 82.5% year-over-year in 2018, primarily due to (1) our business transformation from a transaction-oriented platform back to a technology-driven open platform, and (2) the presentation on a net basis of value-added tax following the adoption of ASC 606 from January 1, 2018. Revenues from e-commerce services decreased 84.8% year-over-year in 2017, primarily due to our business transformation from a transaction-oriented platform back to a technology-driven open platform. Revenues from e-commerce services represented 63.0%, 19.8% and 5.0% of our revenues in 2016, 2017 and 2018, respectively.

The following table presents our e-commerce service revenues for each of our businesses by amount and percentage of total e-commerce service revenues for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	Amount	Percentage of e-commerce service revenues	Amount	Percentage of e-commerce service revenues	Amount	Percentage of e-commerce service revenues
	(US\$ in thousands, except percentage)					
New home	265,583	46.0%	36,672	41.8%	7,391	48.0%
Other	312,101	54.0%	51,137	58.2%	7,993	52.0%
Total e-commerce service revenues	577,684	100.0%	87,809	100.0%	15,384	100.0%

Other product groups accounted for an increasing portion of our e-commerce services revenues in 2016 and 2017 as a result of the continued development of our online real estate brokerage services, and decreased in 2018 as we discontinued our online real estate brokerage services.

Value-Added Services. Revenues from value-added services increased 22.0% and 16.6% year-over-year in 2018 and 2017, respectively, primarily due to a rising demand for our database and research services, partially offset by the presentation on a net basis of value-added tax following the adoption of ASC 606 from January 1, 2018. In 2016, 2017 and 2018, revenues from value-added services represented 2.8%, 6.7% and 12.0% of our revenues, respectively.

Cost of Revenues

Our cost of revenues consists primarily of staff costs, operating lease and sublease costs, and commission fees. Our cost of revenues as a percentage of our revenues was 75.0%, 39.3% and 19.3% in 2016, 2017 and 2018, respectively. Prior to January 1, 2018, cost of revenues also included value-added taxes.

Our cost of revenues decreased significantly year-over-year in 2017 and 2018, primarily due to a decline in staff costs from US\$419.3 million in 2016 to US\$61.7 million in 2017 and further to US\$19.7 million in 2018 as a result of the reduction in staff headcount of our brokerage team for secondary properties and the optimization in our cost structure under the technology-driven open platform model.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit decreased 9.4% year-over-year in 2018 and increased 17.7% year-over-year in 2017. Our gross margin was 25.0%, 60.7% and 80.7% in 2016, 2017 and 2018, respectively.

Operating Expenses

Our operating expenses decreased 8.4% year-over-year in 2018, primarily due to the decrease in advertising expenses, management staff costs and bad debt expenses. Our operating expenses decreased 40.4% year-over-year in 2017, primarily due to a significant decrease in our selling expenses. In 2016, 2017 and 2018, our operating expenses represented 41.6%, 51.1% and 68.6% of our revenues, respectively.

The following table sets forth our operating expenses by amount and percentage of our total operating expenses for the periods indicated:

	Year Ended December 31,					
	2016		2017		2018	
	Amount	Percentage of operating expenses	Amount	Percentage of operating expenses	Amount	Percentage of operating expenses
	(US\$ in thousands, except percentage)					
Selling expenses	229,817	60.3%	91,250	40.2%	69,532	33.4%
General and administrative expenses	151,251	39.7%	135,688	59.8%	138,386	66.6%
Total	381,068	100.0%	226,938	100.0%	207,918	100.0%

Selling Expenses. Our selling expenses decreased 23.8% and 60.3% year-over-year in 2018 and 2017, respectively, primarily due to the decrease in selling expenses associated with our e-commerce services and advertising and promotional expenses. Advertising and promotional related expense decreased from US\$24.2 million in 2017 to US\$7.1 million in 2018, generally consistent with the decrease in our revenues from e-commerce service. Selling expenses associated with our e-commerce services decreased from US\$72.4 million in 2016 to US\$0.4 million in 2017, which was in line with the decrease in our revenues from e-commerce services. Advertising and promotional expenses decreased from US\$61.9 million in 2016 to US\$16.8 million in 2017, primarily due to the decrease of promotions for our Fang membership services, our website, new domain name and the Fang mobile applications.

General and Administrative Expenses. Our general and administrative expenses increased 2.0% year-over-year in 2018, primarily due to the increase in share-based compensation, operating lease and professional service fee, partially offset by the decrease in bad debt expense. Our general and administrative expenses decreased 10.3 % year-over-year in 2017, primarily due to a decline in staff cost from US\$76.8 million in 2016 to US\$63.9 million in 2017.

Other Income (Loss). Other income in 2018 consisted of rental income of US\$2.6 million, income from litigation of US\$1.4 million and loss from hotel operation of US\$0.7 million. Other loss in 2017 consisted of other revenue of US\$12.2 million and other expenses of US\$12.8 million of our subsidiaries that operate the hotel and office leasing businesses.

Operating Income (Loss) and Operating Margin

As a result of the foregoing, we generated operating income of US\$39.8 million in 2018 and generated operating income of US\$42.2 million in 2017. Our operating margin was negative 16.5%, 9.5% and 13.1% in 2016, 2017 and 2018, respectively.

Interest Income

Our interest income, consisting primarily of interest income from cash and cash equivalent, restricted cash as well as fixed rate time deposits, remained relatively stable at US\$11.3 million and US\$10.3 million in 2017 and 2018, respectively.

Interest Expenses

Our interest expenses consist primarily of interest incurred as a result of our bank borrowings and convertible senior notes. Our interest expenses increased 31.1% year-over-year in 2018, primarily due to additional bank borrowings amounted to US\$76.3 million. Our interest expenses decreased 22.3% year-over-year in 2017, primarily due to our repurchase of a total of US\$394,300 of the notes.

Change in Fair Value of Securities

Our change in fair value of securities increased significantly to US\$167.4 million in 2018, compared to US\$0.6 million in 2017, primarily due to the decrease in fair value of our equity investments.

Investment Income, Net

Our investment income, which primarily consisted of dividends from the respective long-term investments in companies including Color Life, Hopefluent, and World Union totaled US\$3.3 million, US\$6.7 million and US\$6.8 million in 2016, 2017 and 2018, respectively.

Impairment on Investments

We had US\$2.2 million, US\$2.8 million and nil impairment on investments in 2016, 2017 and 2018, respectively. The impairment resulted from the deteriorating financial condition of Sindeo, of which company we held 11.03% equity interest, while Sindeo completed its wind-down procedure in 2017.

Income Tax (Expenses) Benefit

Our effective tax rate was 17.3%, 56.8% and 11.2% in 2016, 2017 and 2018, respectively. The effective tax rate of 11.2% in 2018 was lower than the statutory income tax rate of 25% primarily because of (1) the effect of international tax rate differences in the amount of US\$6.9 million, (2) non-deductible expenses in the amount of US\$19.4 million, and (3) provision of withholding tax of PRC subsidiaries in the amount of US\$11.7 million based on the dividend tax rate applied to the profits generated by these subsidiaries and expected to be distributed, partially offset by the effect of (1) preferential tax rates of certain PRC entities in the amount of US\$6.6 million, and (2) reversal of previously recorded ASC740 (FIN48) income tax and interest liabilities in the amount of US\$8.9 million, due to expiration of statutory limitation. In 2016 and 2017, we recorded changes in valuation allowances of US\$30.9 million and US\$8.8 million, respectively, primarily attributable to operating losses arising from entities operating online real estate brokerage service and not anticipating sufficient taxable income in foreseeable future.

B. Liquidity and Capital Resources

Historically, we have financed our liquidity requirements primarily through cash generated from operations, bank borrowings, convertible senior notes and equity financings. As of December 31, 2018, we had US\$195.1 million in cash and cash equivalents, US\$245.5 million in current portion of restricted cash and US\$16.0 million in short-term investments with maturity dates greater than three months but less than one year, compared to US\$228.3 million, US\$223.0 million and US\$55.8 million as of December 31, 2017, respectively. Of our cash and cash equivalents as of December 31, 2018, US\$184.3 million was held inside the PRC and US\$10.8 million was held outside of the PRC. See “Item 3.D. Key Information—Risk Factors—Risks related to doing business in China—We rely primarily on dividends and other distributions on equity paid by our subsidiaries, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business as well as our liquidity” and “—Government control of currency conversion may limit our ability to utilize our revenues effectively” for additional discussion. All of our investments with original stated maturities of 90 days or less are classified as cash and cash equivalents. All of our investments with original stated maturities of greater than 90 days and less than 365 days are classified as short-term investments. As of December 31, 2016, 2017 and 2018, we had short-term investments of US\$42.9 million, US\$55.8 million and US\$16.0 million, respectively.

As of December 31, 2018, we had U.S. dollar-denominated short-term borrowings of US\$220.0 million and RMB denominated short-term borrowings of US\$77.8 million obtained from financial institutions in the United States and the PRC. These bank borrowings are secured by bank deposits of approximately US\$245.5 million, placed with financial institutions in China. The cash deposits pledged for these bank borrowings could be released after we repay the bank borrowings in full. These pledged deposits are classified as restricted cash on our consolidated balance sheets. Certain of these bank borrowings included cross default provisions.

As of December 31, 2018, we had U.S.-dollar denominated long-term bank borrowings of US\$65.4 million and RMB denominated long-term bank borrowings of US\$57.8 million obtained from financial institutions in the United States and PRC, respectively.

These bank borrowings, which initially totaled US\$421.0 million, were incurred to satisfy the operating needs of our company and our offshore subsidiaries outside of the PRC, including repurchase of convertible notes, property acquisitions, leasehold improvement and construction.

In December 2013 and January 2014, we sold an aggregate principal amount of US\$350.0 million and US\$50.0 million, respectively, of convertible senior notes due 2018 (the “2018 Notes”). The 2018 Notes were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act and certain non-U.S. persons in compliance with Regulation S under the Securities Act. The 2018 Notes may be converted, under certain circumstances, based on the current conversion rate of 50.9709 ADSs per US\$1,000 principal amount of 2018 Notes (after the five-for-one ADS ratio change effected in April 2014 and dividend distributions in August 2014 and March 2015, respectively), which is equivalent to a conversion price of approximately US\$19.62 per ADS. The net proceeds to us from the issuance of the 2018 Notes were US\$390.5 million. We are required to pay cash interest at an annual rate of 2.00% on the 2018 Notes. Interest is payable semiannually in arrears on June 15 and December 15 of each year, beginning on June 15, 2014. We incurred debt issuance costs of US\$9.5 million, which are being amortized to interest expense to the first put date of the 2018 Notes. On November 15, 2016, our company delivered a notice of repurchase right at the option of the holder to the holders of the 2018 Notes. Upon completion of the repurchase on December 15, 2016, an aggregate principal amount of US\$394.3 million of the notes was tendered for repurchase, representing approximately 98.6% of the outstanding principal amount of the 2018 Notes prior to such repurchase. The 2018 Notes matured in December 2018.

In September and November 2015, we sold an aggregate principal amount of US\$100.0 million and US\$200.0 million, respectively, of convertible notes due 2022 (the “2022 Notes”). The 2022 Notes were offered to certain non-U.S. persons in compliance with Regulation S under the Securities Act. The 2022 Notes may be converted, under certain circumstances, based on the current conversion rate of 27.9086 Class A ordinary shares per US\$1,000 principal amount of the 2022 Notes, which is equivalent to a conversion price of approximately US\$35.83 per Class A ordinary share or approximately US\$7.166 per ADS. The net proceeds to us from the issuance of the 2022 Notes were US\$300.0 million. We are required to pay cash interest at an annual rate of 1.5% on the 2022 Notes. Interest is payable semiannually in arrears on March 31 and September 30 of each year, beginning on March 31, 2016. We incurred debt issuance costs of US\$1.1 million, which are being amortized to interest expense to the first put date of the 2022 Notes. In October 2018, we repurchased a total of US\$50 million of the 2022 Notes, representing approximately 25% of the outstanding principal amount of the 2022 Notes prior to such repurchase, for a consideration of US\$38.9 million, and the difference was recorded in convertible notes as unamortized premium.

The notes are senior unsecured obligations and rank (1) senior in right of payment to any of our indebtedness that is expressly subordinated in right of payment to the relevant notes, (2) equal in right of payment to any of our unsecured indebtedness that is not so subordinated, (3) effectively junior in right of payment to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness, and (4) structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries and consolidated controlled entities.

We believe that our working capital is sufficient for our present requirements. We may, however, seek additional cash resources due to changed business conditions or other future developments, including selling debt securities or additional equity securities or obtaining credit facilities to meet our cash needs. See “Item 3.D. Key Information—Risks Factors—Risks related to our ADSs, ordinary shares and notes—We may need additional capital, and the sale of additional ADSs, notes or other equity securities could result in additional dilution to our shareholders, while the incurrence of debt may impose restrictions on our operations.”

Cash Flows

The following table sets forth information regarding our cash flows for the periods indicated:

	Year Ended December 31,		
	2016	2017	2018
	(US\$ in thousands)		
Consolidated statements of cash flows data			
Net cash generated from operating activities	131,240	126,889	55,005
Net cash used in investing activities	(127,946)	(284,512)	(106,665)
Net cash generated from (used in) financing activities	(347,334)	71,969	34,700
Net decrease in cash, cash equivalents and restricted cash	(373,488)	(56,352)	(43,688)
Cash, cash equivalents and restricted cash at beginning of year	921,000	547,612	491,260
Cash, cash equivalents and restricted cash at end of year	547,612	491,260	447,572

*The Accounting Standards Update (“ASU”) 2016-18 Statement of Cash Flows (Topic 230) required that restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The guidance was effective as of January 1, 2018 and we applied it using a retrospective transition method to each period presented. The adoption of this guidance changed the presentation and classification of restricted cash in our consolidated statements of cash flows. For the years ended December 31, 2016 and 2017, substantially all of the changes in restricted cash of US\$107.9 million and US\$51.9 million, respectively, were previously reported as part of financing activities in the statement of cash flows.

Net Cash Generated from Operating Activities

We had net cash generated from operating activities of US\$55.0 million in 2018, which was primarily attributable to non-cash adjustments of (1) change in fair value of securities in amount of US\$165.9 million, (2) the depreciation and amortization expense of US\$26.7 million and (3) allowance for doubtful accounts of US\$24.6 million, partially offset by (1) net loss of US\$114.9 million, and (2) a decrease of US\$42.9 million in accrued expenses and other liabilities primarily due to a decrease in the amount payable to sales and marketing agents and payroll payables.

We had net cash generated from operating activities of US\$126.9 million in 2017, which was primarily attributable to (1) our net income of US\$16.3 million during this period, (2) a decrease in loans receivable of US\$45.7 million provided to property buyers, real estate developers and other borrowers primarily as a result of bank loans deposited at relevant banks to secure our loans and (3) an increase of deferred revenue of US\$30.3 million primarily as a result of an increase in advance from customers, partially offset by (1) a decrease of US\$39.3 million in accrued expenses and other liabilities primarily due to a decrease in accrued unrecognized tax benefits and (2) a decrease in customers' refundable fees of US\$22.7 million.

We had net cash generated from operating activities of US\$131.2 million in 2016, which was primarily attributable to a decrease in loans receivable of US\$251.0 million provided to property buyers, real estate developers and other borrowers primarily as a result of bank loans deposited at relevant banks to secure our loans, partially offset by (1) our net loss of US\$169.6 million, (2) a decrease in customers' refundable fees of US\$27.6 million and (3) a decrease in accrued expenses and other liabilities of US\$17.6 million.

Net Cash Used in Investing Activities

Our net cash used in investing activities was US\$106.7 million in 2018, primarily attributable to (1) acquisition of short-term investment of US\$721.7 million, (2) origination of loans receivable of US\$134.8 million, (3) acquisition of property and equipment of US\$96.1 million and (4) acquisition of long-term investments of US\$84.5 million, partially offset by (1) proceeds from short-term investments of US\$759.7 million, (2) repayment of loans receivable of US\$149.5 million and (3) proceeds from government in connection with the purchase of land use right of US\$14.4 million.

Our net cash used in investing activities was US\$284.5 million in 2017, primarily attributable to (1) acquisition of short-term investment of US\$383.6 million, (2) origination of loans receivable of US\$212.8 million, (3) deposits for non-current assets of US\$55.5 million, partially offset by (1) proceeds from maturity of fixed-rate time deposits of US\$373.4 million and (2) repayment of loans receivable of US\$86.9 million.

Our net cash used in investing activities was US\$127.9 million in 2016, primarily attributable to (1) deposits for non-current assets of US\$128.6 million, (2) acquisition of fixed-rate time deposits of US\$73.8 million and (3) acquisition of property and equipment of US\$24.6 million, partially offset by (1) proceeds from maturity of fixed-rate time deposits of US\$90.0 million and (2) proceeds from disposal of an available-for-sale security of US\$13.1 million.

Net Cash Generated from (Used in) Financing Activities

Our net cash generated from financing activities was US\$34.7 million in 2018, primarily due to (1) proceeds of US\$36.3 million from short term loans and (2) proceeds of US\$66.8 million from long term loans, partially offset by (1) redemption of convertible senior notes in amount of US\$44.6 million and (2) repayment of US\$26.9 million loans.

Our net cash generated from financing activities was US\$72.0 million in 2017, primarily due to proceeds from long-term loans of US\$111.5 million, partially offset by repayment of loans of US\$44.0 million.

Our net cash used in financing activities was US\$347.3 million in 2016, primarily due to (1) redemption of US\$394.3 convertible senior notes million 2018 Notes, (2) repayment of US\$182.4 million short-term loans and (3) repurchase of US\$136.6 million ordinary shares, partially offset by (1) proceeds of US\$296.6 million from short-term loans and (2) proceeds of US\$67.7 million from long-term loans.

Capital Expenditures

Our capital expenditures were US\$104.6 million, US\$100.1 million and US\$96.1 million in 2016, 2017 and 2018, respectively. There are also constructions as well as development and renovation needs. We bought more land and properties. We expect our capital expenditures to increase in the future as our business continues to develop and expand as we make further improvements to our websites and our services.

Inflation

According to the National Bureau of Statistics of China, the change in the consumer price index in China was 2.1%, 1.6% and 2.1% in 2016, 2017 and 2018, respectively. Recent inflation has not had a material impact on our results of operations. However, we cannot assure you that we will not be adversely affected by inflation or deflation in China in the future.

C. Research and Development, Patents and Licenses, etc.

We have a team of experienced engineers who are primarily based at our headquarters in Beijing. We recruit most of our engineers locally and have established various recruiting and training programs with leading universities in China. We compete aggressively for engineering talent to help us address challenges such as Chinese language processing, information retrieval and high performance computing. In each of 2016, 2017 and 2018, our research and development expenditures, including share-based compensation expenses for research and development staff, were US\$45.8 million, US\$39.0 million and US\$32.0 million, respectively, representing 5.0%, 8.8% and 10.6% of our total revenues for the same periods.

D. Trend Information

See “—A. Operating Results” of this Item 5 and “Item 3.D. Key Information—Risk Factors” of this annual report.

E. Off-Balance Sheet Arrangements

We do not currently have any material outstanding off-balance sheet arrangements or commitments. We have no plans to enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships established for the purpose of facilitating off-balance sheet arrangements or commitments.

F. Tabular Disclosure of Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2018:

	Payment due by period*				
	Total	Less than one year	One to three years	Three to five years	More than five years
	(US\$ in thousands)				
Convertible senior notes with principal and interest	265,019	3,563	261,456	-	-
Operating lease commitments	6,802	4,368	2,379	55	-
Capital commitment	10,665	10,665	-	-	-
Loan principal and interest expense obligation	466,303	312,395	34,719	28,429	90,760

* Our estimated liability for unrecognized tax benefits is included in other non-current liabilities. As of December 31, 2018, we had gross accrued unrecognized tax benefits and related interest and penalties of US\$137.9 million. As we are currently unable to make a reasonably reliable estimate of the possible change and the timing of payments in individual years in connection with these tax liabilities, such amounts were not included in the contractual obligation table.

Our 2022 Notes will mature in September and November 2022, respectively, unless earlier repurchased or converted into our ADSs based on the current conversion rate of 27.9086 Class A ordinary shares per US\$1,000 principal amount of the 2022 Notes, which is equivalent to a conversion price of approximately US\$35.83 per Class A ordinary share or approximately US\$7.166 per ADS. The conversion rate is subject to certain corporate events. The interest is payable semiannually in arrears on March 31 and September 30 of each year, beginning on March 31, 2016.

Our payments under operating leases are expensed on a straight-line basis over the periods of the respective leases. Our lease arrangements have no renewal options, rent escalation clauses, restrictions or contingent rents and are all conducted with third parties, except for the building leased from a related party as disclosed in Note 19 to our consolidated financial statements included elsewhere in this annual report. In 2016, 2017 and 2018, total rental expenses for all operating leases were US\$66.3 million, US\$22.6 million and US\$9.7 million, respectively.

Our sublease rental income for 2018 was US\$6,402. Future minimum sublease receipts payments expected to be received under non-cancellable sublease agreements as of December 31, 2018 was US\$1,222.

Our loan principal and interest expense obligations relate to our U.S.-dollar denominated bank borrowings of US\$307,917 and RMB denominated bank borrowings of US\$158,386 obtained from financial institutions in the United States and PRC. US\$285,427 of bank borrowings are secured by bank deposits of approximately US\$252,464 placed with financial institutions in China. These pledged deposits are classified as restricted cash on our consolidated balance sheets.

US\$204,218 of bank borrowings were secured by building and construction in progress as of December 31, 2018.

Our capital commitments relate primarily to the construction project of a building in Hangzhou and Tianjin, respectively. These properties will be used as our new branch offices.

G. Safe Harbor

See “Forward-Looking Statements.”

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Executive Officers

The following table sets forth certain information relating to our directors and executive officers as of the date of this annual report. The business address of each of our directors and executive officers is Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing 100070, the People's Republic of China.

Name	Age	Position
Vincent Tianquan Mo	55	Executive chairman of the board of directors
Jian Liu	43	Chief executive officer
Qian Zhao	50	Independent director
Sam Hanhui Sun	46	Independent director
Shaohua Zhang	55	Independent director
Zhizhi Gong	39	Director
Frank Hua Lei	39	Chief investment officer
Zijin Li	34	Acting chief financial officer and board secretary
Zhihong Zhang	48	Chief operations officer

Vincent Tianquan Mo is our founder and has served as our executive chairman of our board of directors since 1999. Mr. Mo had served as our chief executive officer from August 2014 to January 2019. Prior to founding our company, Mr. Mo served as an executive vice president at Asia Development and Finance Corporation from 1996 to 1998 and a general manager for Asia at Teleres, a venture of Dow Jones & Co. and AEGON USA to provide online commercial real estate information services, from 1994 to 1996. He currently serves as a director on the board of directors of Hopefluent Group Holdings Limited, a Hong Kong-listed company, and is the secretary general of the China Real Estate Index System, a real estate research publication operated by us. Mr. Mo holds a bachelor's degree in engineering from South China University of Technology, a master of science degree in business administration from Tsinghua University and a master of arts degree in economics from Indiana University. Mr. Mo is the uncle of Mr. Richard Jiangong Dai, who is a director of our company (until February 2016 when he resigned) and our former president and chief executive officer.

Jian Liu has served as our chief executive officer since January 2019. Mr. Liu joined us in April 2000 and was appointed from our chief operations officer to our president on July 1, 2016. Mr. Liu was also our first chief information officer. Prior to joining us, Mr. Liu worked at the information center of Ningbo Economic Committee in Zhejiang Province. Mr. Liu holds a bachelor's degree in computer science from Ningbo University.

Qian Zhao has served as an independent director of our company and chairman of our nominating and corporate governance committee since September 2010. Mr. Zhao is a founding partner of CXC China Sustainable Growth Fund, a private equity fund that makes investments in China-based companies. Mr. Zhao was a lawyer by training and is admitted to practice law in both China and New York. Mr. Zhao co-founded Haiwen & Partners in 1992, a preeminent China corporate finance law firm in Beijing. He worked in Sullivan & Cromwell's New York office from 1998 to 2000 and Skadden, Arps, Slate, Meagher & Flom LLP and Affiliates' Beijing office from 2000 to 2003. Mr. Zhao is currently an independent director of Trina Solar Limited, a New York Stock Exchange-listed company. Mr. Zhao was a managing director of CXC Capital, Inc., which was the management company of CXC China Sustainable Growth Fund from 2008 to 2011, and president of Camelot Information Systems Inc., a company listed on NASDAQ, from 2011 to 2013. Mr. Zhao was the general counsel and chief investment officer of BGI Shenzhen from 2014 to 2015. Mr. Zhao received a J.D. degree from the New York University School of Law in 1998 and an LL.B degree from University of International Business & Economics, Beijing, in 1990.

Sam Hanhui Sun has served as an independent director of our company and chairman of our audit committee since September 2010. Mr. Sun currently serves as an independent director and audit committee chair of Yirendai Ltd., a New York Stock Exchange-listed company, and an independent director and audit committee chair of CAR Inc., a Hong Kong Stock Exchange-listed company. From January 2010 to September 2015, Mr. Sun assumed a couple of positions at Qunar Cayman Islands Limited, a company listed on NASDAQ, including serving as Qunar's president from May 2015 to September 2015 and its chief financial officer from January 2010 to April 2015. He was chief financial officer of Beijing Ruifeng Co. Ltd. from May 2009 to September 2009 and KongZhong Corporation, a Nasdaq-listed company, from February 2007 to April 2009. Mr. Sun was also an independent director and audit committee member of KongZhong Corporation from July 2005 through January 2007. From 2004 to 2007, Mr. Sun took various financial controller roles at Microsoft China R&D Group, Maersk China Co. Ltd. and our company. From 1995 to 2004, Mr. Sun worked in KPMG's auditing practice, including eight years at KPMG in Beijing where he was an audit senior manager, and two years at KPMG in Los Angeles, California. Mr. Sun earned a bachelor's degree in business administration from the Beijing Institute of Technology in 1993. He is a Certified Public Accountant in China.

Shaohua Zhang has served as an independent director of our company and a member of our audit committee since August 2018. Mr. Zhang served as an executive director and the general manager of Shun Cheong Holdings Ltd. (currently known as IDG Energy Investment Limited), a company listed on the Hong Kong Stock Exchange (stock code: 0650), from March 2008 to August 2016. He was an independent non-executive director of Shun Cheong Holdings Ltd. from September 2006 to March 2008. Mr. Zhang is an entrepreneur with over 20 years of experience in starting up, developing and managing businesses in various industries. Mr. Zhang founded Beijing Beyondal Electric Co., Ltd. and has been the managing director since 2003, a company with a good market share in setting up internet data centers in China. He also served as the general manager of GE Digital Energy (China). Mr. Zhang received a bachelor's degree in science from China University of Technology in 1985 and a master's degree in economics (majoring in business administration) from the Capital University of Economics and Business in 1988.

Zhizhi Gong has served as a director of our company since May 2016. Ms. Gong is a managing director of the Carlyle Group where she focuses on Asia private equity investment and buyout opportunities. She joined the Carlyle Group in 2010 and is based in Beijing. Ms. Gong also serves as chairwoman of the supervisory board of Focus Media Information Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange. In 2015, Ms. Gong was also a member of the board of directors of Natural Beauty BioTechnology Limited, a company listed on the Hong Kong Stock Exchange. Prior to joining the Carlyle Group, Ms. Gong was a principal at Apax Partners, where she was a founding member of the Greater China team. Prior to that, Ms. Gong worked at the investment banking department at China International Capital Corporate Limited. Ms. Gong received her M.B.A. from Harvard Business School and B.A. in economics from Peking University.

Frank Hua Lei has served as our chief investment officer since January 2019. Mr. Lei had served as the acting chief financial officer of our company since September 2016 and as our chief financial officer from November 2016 to January 2019. He joined us in 2009 and has accumulated extensive experience across multiple functions in our company. Prior to the recent appointments, Mr. Lei had been the managing director of our company's investment management division and the deputy chief financial officer in 2015 and 2014, respectively. Mr. Lei holds a Ph.D. in finance from University of the West of England in the United Kingdom, a Master degree in banking and finance from Loughborough University in the United Kingdom and a Bachelor degree in economics from Beijing Forestry University in China.

Zijin Li has served as our acting chief financial officer and board secretary since January 2019. Mr. Li joined us in 2018 as a senior director in charge of reporting and internal control, and then served as our deputy chief financial officer. Prior to joining us, Mr. Li worked for Aofan International Group in Australia for 10 years in financial management positions and worked for Fenghui Leasing Ltd. in China for 3 years as its General Manager of Finance Department. Mr. Li holds a master's degree and a bachelor's degree from Sydney University of Technology.

Zhihong Zhang has served as our chief operations officer since July 2016. Ms. Zhang served as senior vice president of our company from April 2016 to July 2016 and was in charge of the financial and operation optimization. Prior to that, she served as the financial director, vice president of the resale group and vice president of the sales department of our company. She holds an MBA degree from China Foreign Economic and Trade University.

B. Compensation

Compensation of Directors and Executive Officers

Our executive directors and executive officers receive compensation in the form of salaries, annual bonuses and share options. Our independent directors receive annual compensation in connection with the performance of their duties. All directors receive reimbursements from us for expenses necessarily and reasonably incurred by them for providing services to us or in the performance of their duties. We have entered into service contracts with our executive officers. None of these service contracts provide benefits to our directors and executive officers upon termination.

In 2018, we paid aggregate cash compensation of approximately US\$0.8 million to our directors and executive officers as a group. We do not pay or set aside any amounts for pension, retirement or other similar benefits for our officers and directors.

Share Options

1999 Stock Incentive Plan

At a meeting held on September 1, 1999, our board of directors reserved a total of 12.0% of our fully diluted share capital for issuance upon the exercise of options to be granted to our executive directors, officers and employees or their affiliated entities from time to time. On September 1, 1999, our shareholders approved the stock-related award incentive plan (the "1999 Stock Incentive Plan"). The number of options awarded to a person was based on the person's potential ability to contribute to our success, the person's position with us and other factors deemed relevant and necessary by our board of directors. Under the 1999 Stock Incentive Plan, we awarded to several of our employees and directors options to purchase 10,226,275 ordinary shares of our company. As of December 31, 2018, options to purchase 2,868,681 ordinary shares remained outstanding. Options generally do not vest unless the grantee remains under our employment or in service with us on the given vesting date. However, the 1999 Stock Incentive Plan provides that in circumstances where there is a change in the control of our company, if no substitution or assumption is provided by the successor corporation, the outstanding options will automatically vest and become exercisable for a period of 30 days, after which such options will terminate. The termination date for the options granted is 10 years after the date of grant.

a. Standard Stock Options

From September 1, 1999 to September 30, 2006, we awarded standard stock options exercisable to acquire Class A or Class B ordinary shares of our company. All standard stock options were granted to employees and directors and vested over the requisite service periods of three to four years using a graded vesting. The maturity life of the standard stock options was 10 years originally. On April 20, 2010, our board of directors resolved to extend the maturity life of the standard stock option 10 years to 15 years.

From 2001 to 2003, we awarded 1,739,500 standard stock options, classified as liability awards, with exercise prices ranging from HK\$1.00 to HK\$5.00. In April 2010, we agreed with the grantees to modify the Hong Kong dollar exercise currency to U.S. dollars. The modified exercise prices of these options range from US\$0.13 to US\$0.64.

b. Special Stock Options

We have awarded 16,229,375 special stock options to our employees and directors, with exercise prices ranging from US\$2.50 to US\$5.31, since December 31, 2006. Terms for special stock options are the same as standard stock options, except that two special stock options are exercisable into one Class A ordinary share. These special stock options vest 10.0% after the first year of service, 20% after the second year of service, 40.0% after the third year of service and 30.0% after the fourth year of service, except for special stock options granted in September 2010, which vest 20.0% after the first year of service, 20.0% after the second year of service, 30.0% after the third year of service and 30.0% after the fourth year of service. The maturity life of the special stock options is 10 years.

In 2018, we approved to extend the expiration date of an aggregate number of 518,175 share options granted under the 1999 Stock Incentive Plan to certain employees for a term of period ranging from two days to nine years. These stock options had expired prior to December 31, 2017. The awards granted were fully vested as of the extension date. These transactions were accounted for as new grant. The total incremental share-based compensation of US\$2.8 million resulting from such new grant is fully recognized in 2018.

Our board of directors may amend, alter, suspend or terminate the 1999 Stock Incentive Plan at any time, provided, however, that our board of directors must first seek the approval of our shareholders and, if such amendment, alteration, suspension or termination would adversely affect the rights of an optionee under any option granted prior to that date, the approval of such optionee. Without further action by our board of directors, our 1999 Stock Incentive Plan has no specified termination date.

2010 Stock Incentive Plan

We adopted our 2010 stock incentive plan (the “2010 Stock Incentive Plan”) on August 4, 2010. The purpose of our 2010 Stock Incentive Plan is to recognize and acknowledge the contributions made to our company by eligible participants and to promote the success of our business. By providing an opportunity to have a personal stake in our company, our 2010 Stock Incentive Plan aims to:

- attract and retain the best available personnel;
- to provide an additional incentive to our employees, directors and consultants; and
- to promote the success of our business.

As of March 31, 2019, we had awarded options to purchase 8,969,792 of our ordinary shares under the 2010 Stock Incentive Plan, with an exercise price per share ranging from US\$10.63 to US\$30.00.

a. Eligible Participants

Under the 2010 Stock Incentive Plan, our board of directors or its designated committee may, at its discretion, offer to grant an option to subscribe for such number of our ordinary shares at an exercise price as our directors may determine to the following parties:

- any full-time or part-time employees, executives or officers of us, our parent or any of our subsidiaries;

- any directors, including non-executive directors and independent non-executive directors, of us, our parent or any of our subsidiaries;
- any advisers, consultants and agents to us or any of our subsidiaries; and
- such other persons who, in the sole opinion of our board of directors or its designated committee, has made contributions to the business or other development of us.

b. Maximum Number of Ordinary Shares

The maximum number of ordinary shares in respect of which options may be granted (including ordinary shares in respect of which options, whether exercised or still outstanding, have already been granted) under the 2010 Stock Incentive Plan may not in the aggregate exceed 10.0% of the total number of ordinary shares in issue from time to time, including ordinary shares issuable upon conversion of any preferred shares in issue from time to time. As of March 31, 2019, there were outstanding options to purchase 2,813,851 of our ordinary shares under the 2010 Stock Incentive Plan, of which options to purchase 2,141,786 ordinary shares were exercisable.

c. Price of Ordinary Shares

The determination by our board of directors, or its designated committee, of the exercise price will be by reference to the fair market value of the ordinary shares, and the exercise price may be the same as, higher, or lower than the fair market value, except for options or awards which are incentive stock options or subject to Rule 409A of the Internal Revenue Code. If there exists a public market for our ordinary shares, including our ADSs, the fair market value of our ordinary shares will be (1) the closing price for the last market trading day prior to the time of the determination (or, if no closing price was reported on that date, on the last trading date on which a closing price was reported) on the stock exchange determined by our board of directors, or its designated committee, to be the primary market for our ordinary shares or ADSs, or (2) if the ordinary shares are not traded on any such exchange or national market system, the average of the closing bid and asked prices of an ordinary shares on the New York Stock Exchange for the day prior to the time of the determination (or, if not such prices were reported on that date, on the last date on which such prices were reported), in each case, as reported in The Wall Street Journal or such other source as the board of directors or its designated committee deems reliable. If there is no established market for our ordinary shares, our board of directors, or its designated committee, will determine the fair market value of our ordinary shares in good faith by reference to the placing price of the latest private placement of our ordinary shares and the development of our business operations since such latest private placement.

d. Performance Criteria

The 2010 Stock Incentive Plan allows our board of directors, or its designated committee, to establish the performance criteria when granting stock options on the basis of any one of, or combination of, increase in our share price, earnings per share, total shareholder return, return on equity, return on assets, return on investment, net operating income, cash flow, revenue, economic value-added, personal management objectives, or other measures of performance selected by our board of directors, or its designated committee. Partial achievement of the specified criteria may result in a vesting corresponding to the degree of achievement as specified in the award agreement with the relevant optionee.

e. Time of Exercise of Options

The time and conditions under which an option may be exercised will be determined by the board of directors, or its designated committee, under the terms of the 2010 Stock Incentive Plan and as specified in the award agreement with a grantee. Notwithstanding the foregoing, in the case of any options granted to an officer, director or consultant that may become exercisable, the award agreement governing such grant may provide that the options may become exercisable, subject to reasonable conditions such as the officer, director or consultant's continuous service at any time or during any period established in the award agreement governing such grant.

f. Administration

Our board of directors has established a stock option committee, comprised of a single member, Mr. Mo, to administer the 2010 Stock Incentive Plan with respect to option grants to non-officer/director employees as well as consultants. Our compensation committee has the authority under the 2010 Stock Incentive Plan to determine stock option grants to our officers and directors.

g. Termination

Unless terminated earlier, the 2010 Stock Incentive Plan will continue for a term of 10 years. Our board of directors has the authority to amend or terminate the 2010 Stock Incentive Plan subject to shareholder approval with respect to certain amendments. However, no such action may impair the rights of any grantee of any options unless agreed by the grantee.

2015 Stock Incentive Plan

We adopted our 2015 stock incentive plan (the "2015 Stock Incentive Plan") on July 3, 2015. The purpose of our 2015 Stock Incentive Plan is to recognize and acknowledge the contributions made to our company by eligible participants and to promote the success of our business. By providing an opportunity to have a personal stake in our company, our 2015 Stock Incentive Plan aims to:

- attract and retain the best available personnel;
- to provide an additional incentive to our employees, directors and consultants; and
- to promote the success of our business.

As of March 31, 2019, we had awarded options to purchase 1,570,200 of our ordinary shares under the 2015 Stock Incentive Plan, with an exercise price per share ranging from US\$18.1 to US\$27.2, and granted 1,675,570 restricted shares.

a. Eligible Participants

Under our 2015 Stock Incentive Plan, our board of directors or its designated committee may, at its discretion, offer to grant an option to subscribe for such number of our ordinary shares at an exercise price as our directors may determine to the following parties:

- any full-time or part-time employees, executives or officers of us, our parent or any of our subsidiaries;

- any directors, including non-executive directors and independent non-executive directors, of us, our parent or any of our subsidiaries;
- any advisers, consultants and agents to us or any of our subsidiaries; and
- such other persons who, in the sole opinion of our board of directors or its designated committee, has made contributions to the business or other development of us.

b. Maximum Number of Ordinary Shares

The maximum number of ordinary shares in respect of which options may be granted for each fiscal year during which the 2015 Stock Incentive Plan is effective may be up to 1.5% of our outstanding ordinary shares as of the last day of the previous fiscal year. As of March 31, 2019, there were outstanding options to purchase 396,200 of our ordinary shares under the 2015 Stock Incentive Plan, of which options to purchase 146,380 ordinary shares were exercisable.

c. Price of Ordinary Shares

The determination by our board of directors, or its designated committee, of the exercise price will be by reference to the fair market value of the ordinary shares, and the exercise price may be the same as, higher, or lower than the fair market value, except for options or awards which are incentive stock options or subject to Rule 409A of the Internal Revenue Code. If there exists a public market for our ordinary shares, including our ADSs, the fair market value of our ordinary shares will be (1) the closing price for the last market trading day prior to the time of the determination (or, if no closing price was reported on that date, on the last trading date on which a closing price was reported) on the stock exchange determined by our board of directors, or its designated committee, to be the primary market for our ordinary shares or the New York Stock Exchange, whichever is applicable, or (2) if the Ordinary Shares are not traded on any such exchange or national market system, the average of the closing bid and asked prices of an ordinary share on the New York Stock Exchange for the day prior to the time of the determination (or, if no such prices were reported on that date, on the last date on which such prices were reported), in each case, as reported in *The Wall Street Journal* or such other source as the board of directors or its designated committee deems reliable. If there is no established market for our ordinary shares, our board of directors, or its designated committee, will determine the fair market value of our ordinary shares in good faith by reference to the placing price of the latest private placement of our ordinary shares and the development of our business operations since such latest private placement.

d. Performance Criteria

The 2015 Stock Incentive Plan allows our board of directors, or its designated committee, to establish the performance criteria when granting stock options on the basis of any one of, or combination of, increase in our share price, earnings per share, total shareholder return, return on equity, return on assets, return on investment, net operating income, cash flow, revenue, economic value-added, personal management objectives, or other measures of performance selected by our board of directors, or its designated committee. Partial achievement of the specified criteria may result in a vesting corresponding to the degree of achievement as specified in the award agreement with the relevant optionee.

e. Time of Exercise of Options

The time and conditions under which an option may be exercised will be determined by the board of directors, or its designated committee, under the terms of the 2015 Stock Incentive Plan and as specified in the award agreement with a grantee. Notwithstanding the foregoing, in the case of any options granted to an officer, director or consultant that may become exercisable, the award agreement governing such grant may provide that the options may become exercisable, subject to reasonable conditions such as the officer, director or consultant's continuous service at any time or during any period established in the award agreement governing such grant.

f. Dissolution, Liquidation or Change in Control

In the event of the proposed dissolution or liquidation of our company, our board of directors, or its designated committee, will notify the grantee as soon as practicable prior to the effective date of such proposed transaction. Any options will terminate immediately prior to the consummation of such proposed action. In the event of a change in control or a merger of our company, each option may be assumed or an equivalent stock option or right may be substituted by the successor corporation. In the event that no such substitution or assumption occurs, the outstanding options will automatically vest and become exercisable for a limited period of time as determined by our board of directors, or its designated committee, and such options will terminate upon the expiration of such period.

g. Termination

Unless terminated earlier, the 2015 Stock Incentive Plan will continue for a term of five years. Our board of directors has the authority to amend or terminate the 2015 Stock Incentive Plan subject to shareholder approval with respect to certain amendments. However, no such action may impair the rights of any grantee of any options unless agreed by the grantee.

The following table summarizes, as of the date of this annual report, the outstanding options and restricted shares that we granted to our current directors and executive officers:

Share options

Name	Number of Class A ordinary shares to be issued upon exercise of options	Number of Class B ordinary shares to be issued upon exercise of options	Exercise price per ordinary share (US\$)	Date of grant	Date of expiration
Media Partner / Mr. Mo(1)	112,500	—	5.00	December 30, 2018	December 30, 2026
	112,500	—	5.00	December 30, 2018	December 30, 2027
	112,500	—	5.00	December 30, 2018	December 30, 2028
	112,500	—	10.00	December 31, 2009	December 30, 2019
	500,000	—	10.625	September 17, 2010	September 16, 2020
	75,000	—	12.80	August 15, 2012	August 14, 2022
	50,000	—	14.65	December 1, 2016	December 1, 2026
Next Decade / Mr. Mo(1)	—	1,754,500	5.00	September 30, 2006	September 29, 2021
	112,500	—	5.00	December 30, 2018	December 30, 2026
	112,500	—	5.00	December 30, 2018	December 30, 2027
	112,500	—	5.00	December 31, 2008	December 30, 2028
	112,500	—	5.00	December 31, 2009	December 30, 2019
	500,000	—	10.625	September 17, 2010	September 17, 2020
	75,000	—	12.80	August 15, 2012	August 14, 2022
	50,000	—	14.65	December 1, 2016	December 1, 2026
Qian Zhao	*	—	30.00	March 31, 2015	March 31, 2025
	*	—	27.2	February 25, 2016	February 24, 2026
Sam Hanhui Sun	*	—	30.00	March 31, 2015	March 31, 2025
	*	—	27.2	February 25, 2016	February 24, 2026

Name	Number of Class A ordinary shares to be issued upon exercise of options	Number of Class B ordinary shares to be issued upon exercise of options	Exercise price per ordinary share (US\$)	Date of grant	Date of expiration
Jian Liu	*	—	10.625	September 17, 2010	September 16, 2020
	*	—	12.80	July 26, 2012	August 14, 2022
	*	—	27.2	February 25, 2016	February 24, 2026
Frank Hua Lei	*	—	10.00	December 31, 2009	December 30, 2019
	*	—	10.625	September 17, 2010	September 16, 2020
	*	—	12.8	July 26, 2012	July 25, 2022
Zhihong Zhang	*	—	14.65	December 1, 2016	December 1, 2026
	*	—	10.625	September 17, 2010	September 16, 2020
	*	—	12.80	July 26, 2012	July 25, 2022
	*	—	14.65	December 1, 2016	December 1, 2026

* Upon exercise of all options granted, would beneficially own less than 1.0% of our outstanding ordinary shares.

(1) Represents options granted to Mr. Mo in his capacity as our executive chairman. Pursuant to resolutions passed by our board of directors on August 4, 2010, our board of directors resolved that such options be assigned and allocated to Media Partner and Next Decade.

Restricted shares

Name	Restricted Shares	Date of grant	Date of expiration
Media Partner / Mr. Mo ⁽¹⁾	138,188	August 29, 2017	August 28, 2027
Next Decade / Mr. Mo ⁽¹⁾	138,188	August 29, 2017	August 28, 2027
Jian Liu	61,253	August 29, 2017	August 28, 2027
Frank Hua Lei	22,500	August 29, 2017	August 28, 2027
Zhihong Zhang	30,000	August 29, 2017	August 28, 2027

(1) Represents restricted shares granted to Mr. Mo in his capacity as our executive chairman.

C. Board Practices

Board of Directors

Our board of directors currently consists of five members. A director is not required to hold any shares in our company by way of qualification. A director may vote with respect to any contract or transaction in which he or she is materially interested provided the nature of the interest is disclosed prior to its consideration and any vote on such contract or transaction. Our board of directors may exercise all the powers of the Company to borrow money, mortgage its business, property and uncalled capital, and issue debentures or other securities whenever money is borrowed or as security for any obligation of the company or of any third party. None of our non-executive directors has a service contract with us that provides for benefits upon termination of employment.

Duties of Directors

Under Cayman Islands law, our directors have a duty of loyalty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skills that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our fifth amended and restated memorandum and articles of association. We have, in certain circumstances, the right to seek damages against our directors if a duty owed by our directors is breached.

Our board of directors has overall responsibility for managing our operations. The functions and powers of our board of directors include, among others:

- convening shareholders' meetings and reporting its work to shareholders at such meetings;
- implementing shareholders' resolutions;
- determining our business plans and investment proposals;
- formulating our profit distribution plans and loss recovery plans;
- determining our debt and finance policies and proposals for the increase or decrease in our registered capital and the issuance of debentures;
- formulating our major acquisition and disposition plans, and plans for merger, division or dissolution;
- proposing amendments to our fifth amended and restated memorandum and articles of association; and
- exercising any other powers conferred by the shareholders' meetings or under our fifth amended and restated memorandum and articles of association.

Board Committees

Audit Committee. Our audit committee consists of Sam Hanhui Sun, who chairs our audit committee, Qian Zhao and Shaohua Zhang. Our board of directors has determined that all of our audit committee members are "independent directors" within the meaning of Section 303A of the New York Stock Exchange Listed Company Manual and meet the criteria for independence set forth in Section 10A of the Exchange Act. In addition, our board of directors has determined that Sam Hanhui Sun is qualified as an audit committee financial expert within the meaning of the SEC rules and regulations.

Our audit committee is responsible for, among other things:

- Appointing, retaining, terminating, overseeing and determining compensation of the independent auditor. The independent auditor shall report directly to the Committee. The Committee has the sole authority to approve the hiring and discharging of the independent auditors, all engagement fees and terms thereof and, to the extent permissible under applicable regulatory guidelines, all non-audit engagements of the independent auditors.
- Reviewing the scope and results of the annual audit with the independent auditor.

- Reviewing and discussing, with the internal auditors or the person(s) in the financial department acting as internal auditor(s), the overall scope and plans for their audits and determine whether the internal audit function has the appropriate resources and expertise.
- Reviewing and discussing with management and the independent auditors, the adequacy and effectiveness of our disclosure controls, internal accounting and financial controls, the quality of the financial and accounting personnel, and any relevant recommendations.
- Discussing our guidelines and policies with respect to risk assessment and risk management, reviewing contingent liabilities and risks that may be material to us, and reviewing major legislative, regulatory and accounting developments which could materially impact our contingent liabilities and risks.
- Reviewing and discussing with management and the independent auditors the annual audited financial statements and unaudited quarterly financial statements and proposed filings with the SEC, including reviewing our specific disclosures under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and among others, discussing the following matter with the independent accountants: (1) the quality as well as acceptability of the accounting principles applied in the financial statements, (2) new or changed regulatory or accounting policies (including an analysis of the effect of alternative GAAP methods); off-balance sheet structures; significant estimates, judgments, uncertainties or unusual transactions; and accounting policies relating to significant financial statement items, and (3) financial statement presentations.
- Reviewing the reports prepared by management and by our independent auditors, assessing the adequacy and effectiveness of our internal controls and procedures, prior to the inclusion of such reports in our periodic filings as required under SEC rules. The Committee reviews disclosures regarding our internal controls that are required to be included in SEC reports.
- Reviewing on a regular basis management’s assessment (and the basis therefore) of the adequacy and effectiveness of our system of disclosure controls and procedures, including by meeting periodically with our management, independent auditors and legal counsel to review their assessment of such disclosure controls and procedures and to review, before its release, the disclosure regarding such system of disclosure controls and procedures required under SEC rules to be contained in our periodic filings.
- Recommending to our board of directors whether the audited financial statements are satisfactory to be included in our annual or other reports to the SEC.
- At least annually, reviewing any management letters or internal control reports prepared by the independent auditors or our internal auditors and responses to prior management letters, and reviewing with the independent auditors our internal quality control and financial controls, including the budget, staffing and responsibilities of our financial and accounting staff.
- Reviewing and discussing our earnings press releases, as well as financial information and earnings guidance provided to analysts and rating agencies, including the type and presentation of information to be included in earnings press releases.
- Periodically meeting in separate sessions with management, with internal auditors (or other personnel responsible for the internal audit function) and with independent auditors.

- Reviewing with the independent auditor any audit problems or difficulties the independent auditor encountered in the course of audit work (e.g., restrictions on the scope of the independent auditor's activities or access to requested information and any significant disagreements with management) and the management's response. The audit committee shall also be responsible for the resolution of disagreements between management and the independent auditors regarding financial reporting.
- Setting clear hiring policies for employees or former employees of the independent auditors.
- Reviewing and approving or prohibiting all proposed related-party transactions in accordance with our related party transaction policy and procedures.
- Monitoring compliance with and reviewing, and approving or prohibiting, actual and potential conflicts with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.
- Establishing procedures for (1) the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls, or auditing matters, and (2) the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Review periodically with management and our internal accounting department these procedures and any significant complaints received.
- Pre-approving all audit services and permissible non-audit services by the independent auditors, as set forth in Section 10A of the Exchange Act and the rules and regulations promulgated thereunder by the SEC. The audit committee may establish pre-approval policies and procedures, as permitted by Section 10A of the Exchange Act and the rules and regulations promulgated thereunder by the SEC, for the engagement of independent auditors to render services to us, including but not limited to policies that would allow the delegation of pre-approval authority to one or more members of the audit committee, provided that any pre-approvals delegated to one or more members of the audit committee are reported to the audit committee at its next scheduled meeting.
- Evaluating at least annually, the independent auditors' qualifications, performance and independence, which evaluation shall include a review and evaluation of the lead partner of the independent auditor and consideration whether there should be a rotation of the lead partner or independent auditing firm, and take appropriate action to oversee the independence of the independent auditors.
- At least annually, obtaining and reviewing a report by the independent auditors describing: (1) the audit firm's internal quality-control procedures, (2) any material issues raised by the most recent internal quality-control review, or peer review, of the audit firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the audit firm, and any steps taken to deal with any such issues, (3) all relationships between the independent auditors and us to enable the audit committee to assess the auditors' independence, and (4) any other matters required to be included in a letter from the independent auditors pursuant to applicable requirements of the Public Company Accounting Oversight Board regarding independent auditor's communications with the audit committee concerning independence.

- Reviewing and reassessing, at least annually, the audit committee’s performance and the adequacy of its charter and report its conclusion and any recommendations to our board of directors.
- Reporting regularly to the full board of directors.
- Investigating matters came to its attention at the company’s expenses.

Nominating and Corporate Governance Committee. We have established a nominating and corporate governance committee, which is responsible for identifying individuals qualified to become directors and recommends director nominees to be approved by our board of directors. The members of our nominating and corporate governance committee include Qian Zhao, who chairs our nominating and corporate governance committee, and Mr. Mo, our executive chairman.

Compensation Committee. Our compensation committee consists of Mr. Mo, who chairs our compensation committee, and Qian Zhao.

Our compensation committee is responsible for:

- Establishing our general compensation philosophy, and, in consultation with senior management, overseeing the development and implementation of compensation programs.
- At least annually, reviewing and evaluating and, if necessary, revising our compensation plans, policies and programs adopted by the management.
- At least annually, reviewing and approving corporate goals and objectives relevant to compensation of the CEO and evaluate the CEO’s performance in light of those goals and objectives.
- At least annually, either as a committee or together with the other independent directors (as directed by our board of directors), determining and approving, based on the evaluation described above, all compensation arrangements with the CEO including, without limitation: (1) the annual base salary level, (2) the annual incentive opportunity level, (3) the long-term incentive opportunity level, (4) employment agreements, severance arrangements and change-in-control agreements/provisions, in each case as, when and if appropriate, and (5) any special or supplemental benefits. In determining the long-term incentive component of the CEO’s compensation, the compensation committee shall consider our performance and relative stockholder return, the value of similar incentive awards to chief executive officers at comparable companies, and the awards given to the CEO in past years. The compensation committee may choose to discuss the CEO’s compensation with the board of directors.
- Reviewing and approving, or making recommendations to our board of directors with respect to our non-CEO executive officer compensation, incentive-compensation plans and equity-based plans. The compensation committee shall attempt to ensure that our compensation scheme is effective in retaining and attracting key employees, implements business strategies and objectives for enhanced shareholder value, and is administered in a fair and equitable manner consistent with our compensation philosophy. The compensation committee shall also seek the input of the Chief Executive Officer with respect to the performance evaluation and compensation of executives other than the Chief Executive Officer.

- Periodically reviewing the compensation of our directors and approving changes or making recommendations to our board of directors with respect thereto.
- Evaluating periodically the internal equity and external competitiveness of compensation of the CEO, the other executive officers, and key management personnel and initiating actions or recommending changes to our board of directors, as appropriate.
- Advising on the setting of compensation for officers whose compensation is not subject to the approval of the compensation committee.
- Managing and reviewing annually and approving any long-term incentive compensation or equity or stock option plans, programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans. With respect to each plan the compensation committee shall have responsibility for:
 - setting performance targets under all annual bonus and long-term incentive compensation plans as appropriate;
 - certifying that any and all performance targets used for any performance-based equity compensation plans have been met before payment of any executive bonus or compensation;
 - approving all amendments to, and terminations of, all compensation plans and any awards under such plans or any inducement grant of options made to a person not previously an employee or director;
 - granting any awards under any performance-based annual bonus, long-term incentive compensation and equity compensation plans to executive officers or current employees with the potential to become the CEO or an executive officer, including stock options and other equity rights (e.g., restricted stock or stock purchase rights);
 - approving which executive officers are entitled to awards under our stock option plan(s);
 - repurchasing securities from terminated employees; and
 - conducting an annual review of all compensation plans, including reviewing each plan's administrative costs, reviewing current plan features relative to any proposed new features, and assessing the performance of each plan's internal and external administrators if any duties have been delegated.
- Reviewing and approving officer and director indemnification and insurance matters.
- Reviewing and approving any employee loan in an amount equal to or greater than US\$250,000 unless such transaction is subject to the approval of the audit committee as a related-party transaction.
- Reviewing and considering on an annual basis whether the compensation policies and practices for all employees are reasonably likely to have a material adverse effect on us in accordance with SEC rules.

- Providing the compensation committee reports on executive compensation to our board of directors.
- Receiving, reviewing and conferring with the audit committee with respect to any concerns raised by any parties directly or indirectly to the compensation committee and take action in response to such concerns as may be deemed appropriate by the compensation committee.
- Reviewing and approving the annual report on executive compensation for inclusion in our annual report on Form 20-F filed with the SEC.
- Administering, interpreting and taking all other actions necessary or appropriate as granted to the compensation committee under our executive compensation and other plans.
- Directing any officer or employee or request any employee of our advisors, consultants or counsel or such other individual as it may deem appropriate to attend a compensation committee meeting or meet with any compensation committee members.
- Reviewing the compensation committee's charter on an annual basis and recommend changes, as appropriate, to our board of directors.
- Evaluating the performance of the compensation committee on an annual basis. In conducting such self-evaluation, the compensation committee shall evaluate whether its charter appropriately addresses the matters that are or should be within its scope and shall recommend such changes as it deems necessary or appropriate to the board for consideration. The compensation committee shall address all matters that it considers relevant to its performance, including at least, the adequacy, appropriateness and quality of the information and recommendations presented by it to the board of directors, the manner in which they were discussed or debated, and whether the number and length of meetings of the compensation committee were adequate for it to complete its work in a thorough and thoughtful manner.

Our board of directors has established a stock option committee, comprised of a single member, Mr. Mo, to administer the 2010 Stock Incentive Plan with respect to option grants to our non-officer/director employees as well as consultants. Our compensation committee is responsible for administering the 2010 Stock Incentive Plan and the 2015 Stock Incentive Plan with respect to option grants to our executive officers and directors.

No director or officer may be directly involved in decisions regarding his or her own compensation.

Pursuant to the subscription agreement by and among our company, Safari Group Holdings Limited, Safari Group CB Holdings Limited, and Safari Parent Limited, dated September 17, 2015, Safari Parent Limited, an affiliate of the Carlyle Group, is entitled to nominate one director to our board of directors so long as the Carlyle Group beneficially owns at least 1.0% of our total outstanding share capital calculated on a fully diluted basis.

Terms of Directors and Executive Officers

Each of our directors holds office until a successor has been duly elected and qualified unless the director was appointed by our board of directors, in which case such director holds office until the following annual meeting of shareholders, at which time such director is eligible for reelection. Officers are elected by and serve at the discretion of our board of directors.

D. Employees

We had 18,106, 5,795 and 4,367 employees as of December 31, 2016, 2017 and 2018, respectively. The following table sets forth the number of our employees categorized by function as of December 31, 2018:

Editorial and production	922
Sales and marketing	2,463
Management and general administrative	324
Technical and research	658
Total	4,367

We began to downsize our workforce in the fourth quarter of 2016 to transform our online real estate brokerage business to a model of a mix of franchisees and self-owned agencies.

Our employees receive a base salary and are eligible for performance-based bonuses. We have granted share options to certain of our employees. For more information, see “Item 6.B. Directors, Senior Management and Employees—Compensation—Share Options.”

As required by PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including housing, pension, medical and unemployment benefit plans. We make monthly payments to these plans for each of our employees based on the employee’s compensation.

We believe we maintain a good working relationship with our employees and we have not experienced any significant labor disputes. We believe this is primarily attributable to our well-established reputation and brand name within the PRC real estate industry, our strong corporate culture, as well as the positive career development opportunities we provide to our employees. Our employees have not entered into any collective bargaining agreements, and no labor union has been established by our employees.

E. Share Ownership

As of March 31, 2019, we had 89,388,643 ordinary shares, consisting of 65,051,993 Class A ordinary shares and 24,336,650 Class B ordinary shares issued and outstanding. The following table sets forth information with respect to the beneficial ownership, within the meaning of Rule 13d-3 of the Exchange Act. Except as specifically noted, the beneficial ownership was as of March 31, 2019:

	Ordinary shares beneficially owned ⁽¹⁾			
	Class A No.	Percent	Class B No.	Percent
Principal Shareholders:				
Media Partner Technology Limited ⁽²⁾	1,555,995	2.6%	11,355,645	46.7%
Next Decade Investments Limited ⁽³⁾	2,183,132	3.3%	11,985,145	45.9%
Digital Link Investments Limited ⁽⁴⁾	*	*	2,750,360	11.3%
General Atlantic Singapore Fund Pte. Ltd. ⁽⁵⁾	6,860,040	10.5%	—	—
Safari Group Holdings Limited ⁽⁶⁾	3,418,803	5.3%	—	—
IDG and its affiliated entities ⁽⁷⁾	11,539,873	16.8%	—	—
FIL Limited ⁽⁸⁾	3,396,655	5.2%	—	—
Directors and Executive Officers ⁽⁹⁾ :				
Mr. Mo ⁽¹⁰⁾	9,409,889	13.5%	23,340,790	89.5%
Qian Zhao	*	*	—	—
Sam Hanhui Sun	*	*	—	—
Jian Liu	*	*	—	—

Ordinary shares beneficially owned⁽¹⁾

	Class A No.	Percent	Class B No.	Percent
Zhihong Zhang	*	*	—	—
Frank Hua Lei	*	*	—	—
Zhizhi Gong	*	*	—	—
All directors and executive officers as a group	9,917,482	14.3%	23,340,790	89.5%

* Less than 1.0% of total outstanding shares.

- (1) Beneficial ownership is determined in accordance with the rules and regulations of the SEC and includes voting or investment power with respect to our ordinary shares. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.
- (2) Includes 510,995 Class A ordinary shares, 11,355,645 Class B ordinary shares and options to purchase 1,045,000 Class A ordinary shares within 60 days of March 31, 2019.] All of the shares of Media Partner, a British Virgin Islands company, are held in irrevocable discretionary family trusts established by Mr. Mo, our founder and executive chairman. The address of Media Partner is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (3) Includes 1,138,132 Class A ordinary shares, 10,230,645 Class B ordinary shares and options to purchase 1,045,000 Class A ordinary shares and 1,754,500 Class B ordinary shares within 60 days of March 31, 2019.] All of the shares of Next Decade, a British Virgin Islands company, are held in irrevocable discretionary family trusts established by Mr. Mo. The address of Next Decade is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.
- (4) The address of Digital Link Investments Limited, a British Virgin Islands company, is Apt 3B, Taggart Tower, 109 Repulse Bay Road, Hong Kong. Shan Li (our director until May 2017 when he resigned) is the sole shareholder of Digital Link Investments Limited.
- (5) Represents Class A ordinary shares (as represented by 34,300,200 ADSs) beneficially owned by General Atlantic Singapore Fund Pte. Ltd. as reported in a Schedule 13D/A filed by it and its affiliates on November 14, 2016. General Atlantic Singapore Fund Pte. Ltd. is a Singapore company and its principal address is Asia Square Tower 1, 8 Marina View, #41-04, Singapore 018960.
- (6) Represents 3,418,803 Class A ordinary shares beneficially owned by Safari Group Holdings Limited. Safari Group Holdings Limited is owned as to 72.0% by Safari Parent Limited, a Cayman Islands company, and as to 28.0% by Ateefa Limited, a British Virgin Islands company. Safari Parent Limited is affiliated with the Carlyle Group. Mr. Mo is the sole shareholder of Ateefa Limited. The address of Safari Group Holdings Limited is the offices of Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.
- (7) Represents Class A ordinary shares beneficially owned by IDG and its affiliates as reported in a Schedule 13D/A filed by it and its affiliates on December 18, 2018, including 11,539,873 Class A ordinary shares held by IDG-Accel China Capital L.P., IDG-Accel China Capital Investors L.P., IDG Alternative Global Limited, Chuang Xi Capital Holdings Limited, Quartz Fortune Limited, IDG Ultimate Global Limited, Velda Power Limited and Clever Sight Limited, including 3,488,696 Class A ordinary shares issuable pursuant to convertible notes beneficially owned by IDG and its affiliated entities. IDG-Accel China Capital L.P. and IDG-Accel China Capital Investors L.P. have the same ultimate general partner, IDG-Accel China Capital GP Associates Ltd., of which Quan Zhou and Chi Sing Ho are directors. Chi Sing Ho is also a director of IDG Alternative Global Limited, Chuang Xi Capital Holdings Limited, Quartz Fortune Limited, IDG Ultimate Global Limited, Velda Power Limited and Clever Sight Limited.
- (8) Represents Class A ordinary shares (as represented by 16,983,275 ADSs) beneficially owned by FIL Limited and its affiliates as reported in a Schedule 13G filed by it on February 13, 2019. The address of FIL Limited is Pembroke Hall, 42 Crow Lane, Hamilton, Bermuda, HM19.
- (9) The address of our current directors and executive officers is c/o Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing 100070, the People's Republic of China.

(10) Represents ordinary shares beneficially owned by Media Partner, Next Decade, Ateefa Limited, Deanhale Limited, a British Virgin Islands company, and Karistone Limited, a British Virgin Islands company. All of the shares of Media Partner and Next Decade, including 1,649,127 Class A ordinary shares represented by 8,245,635 ADSs, 21,586,290 Class B ordinary shares and options to purchase 2,090,000 Class A ordinary shares and 1,754,500 Class B ordinary shares within 60 days of March 31, 2019, are held in two irrevocable discretionary family trusts established by Mr. Mo for the benefit of his designated family members. Mr. Mo acts as a protector of these family trusts, and Deutsche Bank International Trust Co. (Cayman) Limited and Credit Suisse Trust Limited act as the trustee of these trusts, respectively. In addition, Mr. Mo, through Ateefa Limited, is deemed to have beneficial ownership of an aggregate of 1,738,706 Class A ordinary shares owned by Safari Group Holdings Limited and Safari Group CB Holdings Limited, and, through Deanhale Limited, is deemed to have beneficial ownership of 3,005,596 Class A ordinary shares owned by IDG Alternative. Furthermore, Mr. Mo, through Karistone Limited, beneficially owns 926,461 Class A ordinary shares.

JPMorgan Chase Bank, N.A., the depository of our ADSs, has advised us that as of March 31, 2019, of the 89,388,643 issued and outstanding ordinary shares, including both Class A ordinary shares and Class B ordinary shares, approximately 81.1% of our outstanding Class A ordinary shares, were in the form of ADSs. None of our outstanding Class B ordinary shares was held by any record holder with an address in the United States.

Our ordinary shares are divided into Class A ordinary shares and Class B ordinary shares. Holders of Class A ordinary shares are entitled to one vote per share, while holders of Class B ordinary shares are entitled to 10 votes per share. We intend to maintain the dual-class ordinary share structure. Each Class B ordinary share is convertible into one Class A ordinary share at any time by its holder and Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon transfer of any Class B ordinary share by its holder to any person or entity that is not a majority-owned and majority-controlled subsidiary of certain of our shareholders as set forth in our amended and restated articles of association, such Class B ordinary share will be automatically and immediately converted into a Class A ordinary share.

On March 18, 2014, we announced the change of the ratio of our American Depositary Receipts representing Class A ordinary shares from one ADS for one Class A ordinary shares to five ADSs for one Class A ordinary share. The record date for the ratio change was March 28, 2014. For our ADS holders, this ratio change had the same effect as a five-for-one ADS split. There was no change to our Class A ordinary shares or Class B ordinary shares. The effect of the ratio change on the ADS trading price on New York Stock Exchange occurred on April 7, 2014.

Subject to any contractual restrictions and applicable law, we and our subsidiaries, affiliates or significant shareholders may from time to time, in their sole discretion, purchase, repay, redeem or retire any of our outstanding debt or equity securities (including any publicly issued debt or equity securities), in privately negotiated or open market transactions, by tender offer or otherwise.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

See “Item 6.E. Directors, Senior Management and Employees—Share Ownership.”

B. Related Party Transactions

Structure Contracts

PRC laws and regulations restrict and impose conditions on foreign investment in certain industries in China. We used to operate under a tighter regulatory regime which was restrictive of foreign investment in Internet content distribution and advertising businesses and adopted a series of Structure Contracts with our consolidated controlled entities (excluding their subsidiaries) and their nominee shareholders to operate our businesses. Under the current regulatory regime, Internet content distribution is permitted to operators with less than 50.0% foreign investment and advertising is permitted to all qualified operators. We may consider further optimizing our corporate structure in light of the evolving regulatory environment.

In anticipation of our originally proposed acquisition of a controlling stake in Wanli and the sale of a portion of our equity interest in our subsidiaries to Wanli (which was terminated in February 2017), in December 2015, we underwent an internal restructuring, whereby we terminated all of our previous structure contracts and caused Beijing Zhong Zhi Shi Zheng and Jia Tian Xia Network, our wholly-owned PRC subsidiaries, to enter into the 2016 Structure Contracts with our consolidated controlled entities, with terms and conditions substantially similar to those of our previous structure contracts. Under the 2016 Structure Contracts, the equity interests of our consolidated controlled entities were held by our nominee shareholders, i.e., Vincent Tianquan Mo, executive chairman of our board of directors and chief executive officer, Richard Jiangong Dai, our director (until February 2016 when Mr. Dai resigned) and former chief executive officer, and certain wholly-owned subsidiaries of theirs, and we exercised effective control over our consolidated controlled entities through Beijing Zhong Zhi Shi Zheng and Jia Tian Xia Network.

Among the 2016 Structure Contracts, Beijing Zhong Zhi Shi Zheng entered into a series of contractual arrangements with Shanghai China Index Investment Consulting Co., Ltd., Beijing Yi Ran Ju Ke Technology Development Co., Ltd., Beijing SouFun Technology Development Co., Ltd., Beijing Century Jiatianxia Technology Development Co., Ltd., Shanghai Century Jiatianxia Internet Technology Development Co., Ltd. and their nominee shareholders. In anticipation of the separation and distribution in relation to CIH, we terminated the foregoing contractual arrangements between our group and these entities on May 15, 2018, and subsequently caused Beijing TuoShi, our wholly-owned PRC subsidiary, to enter into a new series of contractual arrangements with these consolidated controlled entities in 2018, with terms and conditions substantially similar to the 2016 Structure Contracts. CIH, through its wholly-owned subsidiary, Beijing Zhong Zhi Shi Zheng, has entered into new contractual arrangements with Beijing Zhong Zhi Hong Yuan, which is held by our nominee shareholders, i.e., Vincent Tianquan Mo and Ms. Yu Huang, the chief executive officer of CIH, with terms and conditions substantially similar to those of our previous structure contracts.

For a detailed description of the regulatory environment that necessitates the adoption of our corporate structure, see “Item 4.B. Information on the Company—Business Overview—Regulation.” For a detailed description of the risks associated with our corporate structure, see “Item 3.D. Key Information—Risk Factors—Risks related to our corporate structure.”

The Structure Contracts enable us to:

- receive substantially all of the economic benefits from our consolidated controlled entities in consideration of the services provided by our subsidiaries;
- exercise effective control over our consolidated controlled entities; and
- hold an exclusive option to purchase all or part of the equity interests in our consolidated controlled entities when and to the extent permitted by PRC laws.

We did not separately enter into any Structure Contracts with the subsidiaries of the consolidated controlled entities with which we entered into the Structure Contracts. The following is a summary of the material terms under our Structure Contracts among our wholly-owned PRC subsidiaries, our consolidated controlled entities and the nominee shareholders of these consolidated controlled entities.

Exclusive Technical Consultancy and Services Agreements

Under the exclusive technical consultancy and service agreements, our wholly-owned PRC subsidiary has the exclusive right to provide our consolidated controlled entities with relevant technical services relating to their business, such as information technology system operations and maintenance services, or technology supporting services for their advertising products. In exchange for these services, each of the consolidated controlled entities has agreed to make monthly payments to the service provider for such services. The original term of each agreement is 10 years, and our wholly-owned PRC subsidiary can unilaterally extend the term of the exclusive technical consultancy and services agreements and such request will be unconditionally agreed to by the consolidated controlled entities.

Equity Pledge Agreements

In order to secure the payment obligations of the consolidated controlled entities under the exclusive technical consultancy and services agreements, except as disclosed below, the nominee shareholders have pledged to our wholly-owned PRC subsidiary their entire equity interests in the consolidated controlled entities. Under these agreements, the nominee shareholders may not transfer the pledged equity interest without the prior written consent of our wholly-owned PRC subsidiary. Our wholly-owned PRC subsidiary also has the right to collect dividends of the consolidated controlled entities from their nominee shareholders. These agreements will remain valid for 10 years and can be extended at the sole discretion of our wholly-owned PRC subsidiary.

Operating Agreements

Under the operating agreements, our wholly-owned PRC subsidiary has undertaken to enter into guarantee contracts with third parties, as required by third parties, to guarantee the performance of the consolidated controlled entities under their business contracts with third parties. In return, the consolidated controlled entities are required to pledge their accounts receivable and mortgage all of their assets as counter-security to our wholly-owned PRC subsidiary. Each of the consolidated controlled entities and the nominee shareholders has agreed not to enter into any transaction that would substantially affect the assets, rights, obligations or operations of the consolidated controlled entities without the prior written consent of our wholly-owned PRC subsidiary. The original term of each agreement is 10 years. These agreements can be extended prior to expiration with written confirmation from our wholly-owned PRC subsidiary, or can be terminated by our wholly-owned PRC subsidiary, upon 30 days' advance notice.

Shareholders' Proxy Agreements

Under the shareholders' proxy agreements, the nominee shareholders agreed to irrevocably entrust our wholly-owned PRC subsidiary to exercise their rights as the registered shareholders of the consolidated controlled entities to attend shareholders' meetings and cast votes. Our wholly-owned PRC subsidiary may assign part or all of these proxy rights to its designated employees, and will be indemnified for any loss under these agreements. These agreements will also be binding upon successors of the parties or transferees of the parties' equity interests. These agreements will remain in effect until terminated upon written consent by all the parties to the agreements or by their successors.

Loan Agreements

Under the loan agreements and the related transfer agreements, the nominee shareholders received loans from us to make contributions to the registered capital of the consolidated controlled entities between 2004 and 2015, and agreed to repay the loans, upon request, by transferring their entire equity interests in the consolidated controlled entities to our wholly-owned PRC subsidiary or its respective designees, when permitted by applicable PRC laws, rules and regulations.

Exclusive Call Option Agreements

Under the exclusive call option agreements, our wholly-owned PRC subsidiary or any third party designated by it has the right to acquire from the nominee shareholders of the consolidated controlled entities their entire equity interests in such consolidated controlled entities when permitted by applicable PRC laws, rules and regulations. The proceeds from the exercise of the call option will be applied to repay the loans under the loan agreements described above. These agreements each has an original term of 10 years and may be extended for another 10 years at our sole discretion.

Telstra Private Placement

In connection with the private placement by Telstra International in September 2010, on August 13, 2010, we entered into an investor's rights agreement with General Atlantic, Apax, Next Decade, Media Partner and Digital Link and a registration rights agreement with General Atlantic and Apax. We terminated these agreements on September 23, 2015.

2015 Registration Rights Agreements

On September 24, 2015, we entered into a registration rights agreement with Safari and Safari CB, under which each of Safari and Safari CB has demand registration rights pursuant to which we will be required to effect the registration of all or a portion of its Class A ordinary shares (issuable pursuant to the 2022 Notes in the case of Safari CB), subject to terms and conditions substantially similar to those of the 2014 Registration Rights Agreement. See "—2014 Registration Rights Agreement" above.

On November 4, 2015, we entered into a registration rights agreement with IDG Alternative and China Merchants Bank Co., Ltd. Tianjin Pilot Free Trade Zone Branch ("CMB"), under which we are required to file a registration statement on Form F-3 within 45 days after the closing of the private placement transactions in November 2015, in order to effect the registration of all or a portion of the Class A ordinary shares held by IDG Alternative or CMB in the case it enforces its security interest on the Class A ordinary shares held by IDG Alternative. In addition, promptly after the offering and sale of any of their Class A ordinary shares, we will be required to file a prospectus to be used for such offering and sale in accordance with the Securities Act.

On November 9, 2015, we and Karistone Limited entered into a registration rights agreement with each of IDG-Accel, IDG-Accel Investors, Winning Star Global Limited, Rainbow Zone Enterprise Inc., Chuang Xi Capital Holdings Limited and Wealth Harvest Global Limited, respectively, under which we are required to file a registration statement on Form F-3 within 45 days after the closing of the private placement transactions in November 2015, in order to effect the registration of all or a portion of Class A ordinary shares held by each of Karistone Limited, IDG-Accel, IDG-Accel Investors, Winning Star Global Limited, Rainbow Zone Enterprise Inc., Chuang Xi Capital Holdings Limited and Wealth Harvest Global Limited (collectively, the "Right Holders"). In addition, promptly after the offering and sale of any of their Class A ordinary shares, we will be required to file a prospectus to be used for such offering and sale in accordance with the Securities Act. Each of the Right Holders also has the right to request that its Class A ordinary shares be included in any registration of our Class A ordinary shares, other than registrations on Form F-4 or S-8 or in compensation or acquisition-related registrations. In addition, the underwriters may, for marketing reasons, cut back all or a part of the shares that any of the Right Holders has requested to be registered in any incidental registration and we will have the right to terminate any registration we initiated prior to its effectiveness regardless of any request for inclusion by any of the Right Holders.

Other Related Party Transactions

We had relationships with the following related parties in 2018:

<u>Name of Related Party</u>	<u>Relationship with Fang</u>
Vincent Tianquan Mo	Executive chairman of the board of directors and chief executive officer
Richard Jiangong Dai	Former director and former chief executive officer of our company
Beihai Silver Beach 1 Hotel and Property Management Company, Ltd. ("Beihai Silver Beach")	A company under the control of Vincent Tianquan Mo
Che Tian Xia Company Ltd. ("Che Tian Xia")	A company under the control of Vincent Tianquan Mo and Richard Jiangong Dai
Guangxi Wharton International Hotel ("Guangxi Wharton")	A company under the control of Vincent Tianquan Mo
Research Center on Natural Conservation ("Research Center")	A company under the control of Vincent Tianquan Mo
Upsky San Francisco Airport Hotel LLC (formerly known as "Crowne Plaza San Francisco-International Airport") ("Upsky San Francisco")	A company under the control of Vincent Tianquan Mo
Upsky Lighthouse Hotel LLC ("Upsky Lighthouse")	A company under the control of Vincent Tianquan Mo
Upsky Long Island Hotel LLC ("Upsky Long Island")	A company under the control of Vincent Tianquan Mo
Nanning Xuyin Business Co., Ltd. ("Nanning Xuyin")	A company under the control of Vincent Tianquan Mo
New York Military Academy ("Military Academy")	A company of which Vincent Tianquan Mo is a director
Wall Street Global Training Center, Inc. ("Training Center")	A company under the control of Vincent Tianquan Mo and two other independent directors

We had the following expenses from related party transactions during 2018:

	<u>2018</u> <u>(US\$ in</u> <u>thousands)</u>
Office building leased from:	
- Vincent Tianquan Mo	162
Management fee incurred:	
- Beihai Silver Beach	523
Hotel service fee incurred:	
- Upsky San Francisco	-
- Upsky Long Island	-
-Upsky Lighthouse	-
- Beihai Silver Beach	-
Training fee incurred:	
- Military Academy	-

In 2011, we entered into an agreement with Training Center to lease to it office space of approximately 220 square feet in a building owned by us located in New York City, free of charge.

In February 2012, we entered into an agreement with Mr. Mo, our executive chairman, to lease a building owned by him for a 10-year period from March 1, 2012. The deemed rental expense of US\$ 0.2 million and the corresponding shareholder contribution were included in our consolidated financial statements for 2017.

In April 2013, we and Beihai Silver Beach entered into an agreement, pursuant to which Beihai Silver Beach was engaged to manage the hotel and office leasing operations owned by the BaoAn Entities for 10 years. The management fees incurred for 2017 were US\$ 0.5 million.

In April 2013, we entered into an agreement with Che Tian Xia to use its domain name for six years free of charge.

In 2016, Upsky San Francisco, Upsky Long Island and Beihai Silver Beach provided hotel accommodations to our employees that amounted to US\$17,000, US\$81,000 and US\$113,000.

In 2016, Military Academy provided training services to us for training fees amounting to US\$111,000.

Nanning Xuyin held 73,430,061 shares in Guilin Bank Co., Ltd. on behalf of us, through a nominee arrangement, in 2015, and transferred 30,595,859 shares of Guilin Bank to us in 2016.

On September 25, 2017, additional 42,834,202 shares of Guilin Bank were transferred by the third-party in full satisfaction of its remaining overdue receivables of US\$24,695 to us. The total investment constituted a 1.98% and 1.79% ownership in Guilin Bank as of December 31, 2017 and 2018, respectively. In October 2017, we received 7,343,006 shares of Guilin Bank as a stock dividend and our shareholding increased from 73,430,061 to 80,773,067. No impairment on the investment in Guilin Bank was recognized for the year ended December 31, 2018.

For more details of our related party transactions in 2018, see Note 19 to our consolidated financial statements included elsewhere in this annual report.

Stock Incentive Plans

See “Item 6.B. Directors, Senior Management and Employees—Compensation—Share Options.”

C. Interests of Experts and Counsels

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Statements and Other Financial Information

We have appended consolidated financial statements filed as part of this annual report.

Legal Proceedings

See “Item 4.B. Information on the Company—Business Overview—Legal Proceedings.”

Dividend Policy

Our board of directors has the discretion over whether to pay dividends on our ordinary shares. If our board of directors decides to pay dividends on our ordinary shares, the form, frequency and amount will be based upon our future operations and earnings, capital requirements and surplus, general financial condition, shareholders’ interests, contractual restrictions and such other factors as our board of directors may deem relevant. For a description of our corporate structure and its potential impact upon our ability to pay dividends, see “Item 3.D. Key Information—Risk Factors—Risks related to doing business in China—We rely primarily on dividends and other distributions on equity paid by our subsidiaries, and any limitation on the ability of our subsidiaries to make payments to us could have a material adverse effect on our ability to conduct our business as well as our liquidity.”

Holders of ADSs are entitled to receiving dividends, subject to the terms of the deposit agreement, to the same extent as the holders of our ordinary shares. Cash dividends, if any, will be paid to the depositary in U.S. dollars and paid to holders of ADSs according to the terms of the deposit agreement. Other distributions, if any, will be paid by the depositary to holders of ADSs in any means it deems legal, fair and practical. Under the deposit agreement, the depositary is required to distribute dividends to holders of ADSs unless such distribution is prohibited by law. The amounts distributed to holders will be net of fees, expenses, taxes and other governmental charges payable by holders under the deposit agreement.

In August 2014, we declared a cash dividend of US\$1.00 per share on our ordinary shares (US\$0.20 per ADS), or an aggregate of US\$82.4 million to holders of our ordinary shares and ADSs, payable to shareholders of record on August 18, 2014. As of December 31, 2014, all the declared dividends had been paid.

In March 2015, we declared a cash dividend of US\$1.00 per share on our ordinary shares (US\$0.20 per ADS), or an aggregate of US\$82.8 million to holders of our ordinary shares and ADSs, payable to shareholders of record on March 13, 2015. As of the date of this annual report, all the declared dividends had been paid.

In May 2019, we declared a stock dividend to holders of our ordinary shares and ADSs to separate CIH into an independent publicly traded company. For details, see “Item 4. Information on the Company—B. Business Overview—Separation of CIH.”

B. Significant Changes

Except as disclosed elsewhere in this annual report, we have not experienced any significant changes since the date of our audited consolidated financial statements included in this annual report.

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs have been listed for trading on the New York Stock Exchange under the symbol “SFUN” since September 17, 2010.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed for trading on the New York Stock Exchange under the symbol “SFUN” since September 17, 2010.

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporated by reference into this annual report the description of our fifth amended and restated memorandum and articles of association contained in our current report on Form 6-K originally filed with the SEC on August 3, 2012. Our shareholders adopted our fifth amended and restated memorandum and articles of association by a special resolution on August 1, 2012.

C. Material Contracts

Material contracts other than in the ordinary course of business are described in “Item 4. Information on the Company” and in “Item 7. Major Shareholders and Related Party Transactions” and elsewhere in this annual report.

D. Exchange Controls

Regulations relating to Foreign Exchange, Taxation and Dividend Distribution

Foreign Exchange

The principal regulation governing foreign exchange in China is the Foreign Currency Administration Regulations issued by the State Council in January, 1996 and as amended in August, 2008 and the Regulations of Settlement, Sale and Payment of Foreign Exchange, which were promulgated by the PBOC on June 20, 1996, and became effective on July 1, 1996. The Renminbi is freely convertible for current account transactions, such as trade and service-related foreign exchange transactions, but not for capital account transactions, such as direct investments, loans or investments in securities outside China, without the prior approval of the relevant government authorities. Pursuant to the Foreign Currency Administration Regulations, foreign-invested enterprises in China may purchase foreign exchange at authorized commercial banks without the approval of SAFE for trade and service-related foreign exchange transactions by providing commercial documents evidencing these transactions. They may also retain foreign exchange, subject to a cap approved by SAFE, to satisfy foreign exchange liabilities or to pay dividends. However, the relevant PRC government authorities may limit or eliminate the ability of foreign-invested enterprises to purchase and retain foreign currencies in the future. In addition, foreign exchange transactions for capital accounts are still subject to limitations and require approval from or registration with relevant government authorities.

Taxation and Dividend Distribution

We are incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to income or capital gains tax. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

In March 2007, the National People's Congress of China enacted the New EIT Law, which took effect on January 1, 2008, as amended in February, 2017 and December 2018. Under the New EIT Law, foreign-invested enterprises, such as our subsidiaries and consolidated controlled entities, are subject to enterprise income tax at a uniform rate of 25.0% if no tax preferential policy is applicable. In addition, under the New EIT Law, enterprises organized under the laws of jurisdictions outside China may be classified as either "non-resident enterprises" or "resident enterprises." Non-resident enterprises without an establishment or place of business in China are subject to withholding tax at the rate of 10.0% with respect to their PRC-sourced dividend income, which rate can be reduced under applicable double tax treaties or arrangements. As we are incorporated in the Caymans Islands, we may be regarded as a "non-resident enterprise." We hold equity interests in several of our major PRC subsidiaries indirectly through subsidiaries incorporated in Hong Kong. According to the Avoidance of Double Taxation Arrangement between Mainland China and Hong Kong, dividends declared by a resident enterprise in mainland China to a Hong Kong resident enterprise should be subject to withholding tax at a rate of 5.0%, provided, however, that such Hong Kong resident enterprise directly owns at least 25.0% of the equity interest in the PRC resident enterprise. In September 2013, SouFun Media and SouFun Network were granted a reduced withholding tax rate of 5% on earnings to be distributed to their Hong Kong parent entities between 2013 and 2015.

In August 2009, SAT issued Circular 124. Pursuant to Circular 124, non-tax residents of China who wish to enjoy a treaty benefit on their China-sourced income under a Sino-foreign double tax agreement have to go through either an “approval application” procedure (for passive income—dividends, interest, royalties and capital gains) or “record filing” procedure (for active income—business profits of a permanent establishment, service fees and personal employment income) in which specific forms attached to Circular 124 have to be submitted to the relevant Chinese tax authorities together with the relevant supporting documentation. On November 1, 2015, Circular 124 was repealed by the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers issued by SAT (“Circular 60”). Circular 60 abolishes the “approval application” procedure and provides that any non-resident taxpayer filing a tax return shall determine whether such taxpayer is entitled to the treaty benefit, and shall submit the relevant statements and materials to the competent tax authority for the tax return filing. In the case of withholding at source and designated withholding, where a non-resident taxpayer who considers it meets the conditions for enjoying the convention treatment needs to be entitled to the convention treatment, the taxpayer shall take the initiative to propose the same to the withholding agent, and provide the withholding agent with the relevant statements and materials for the withholding declaration. The withholding agent shall withhold tax in accordance with the conventions, and forward the relevant statements and materials to the competent tax authority when making the withholding declaration.

In addition, SAT released Circular 9 in February 2018. Circular 9 provides guidance for the determination of “beneficial ownership” for the purpose of claiming benefits under double taxation arrangements by treaty residents in respect of articles of dividends, royalties and interest under double taxation arrangements. Under Circular 9, a “beneficial owner” shall generally engage in “substantive business activities” which is further referred to as manufacturing, trading and management activities under Article 2 of Circular 9. Circular 9 also sets forth several factors, the existence of which generally does not provide support that the treaty resident is a “beneficial owner.” According to Circular 9, non-resident enterprises which could not provide valid supporting documents as “beneficiary owners” could not be approved to enjoy treaty benefits. Therefore, dividends from our PRC subsidiaries paid to us through our Hong Kong subsidiaries may be subject to a withholding tax rate of 10.0% if our Hong Kong subsidiaries cannot be considered as a “beneficial owner” under Circular 9.

Despite the above, the New EIT Law also provides that an enterprise incorporated outside China with its “de facto management bodies” located within mainland China should be considered a PRC resident enterprise and therefore be subject to enterprise income tax on its worldwide income at the rate of 25.0%.

The implementing rules for the New EIT Law defines “de facto management organization” as the body that exercises substantial and comprehensive control over the production, operation, personnel, accounting, property and other factors of an enterprise. SAT issued Circular 82 in April 2009. Circular 82 provides certain specific criteria for determining whether the “de facto management bodies” of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by PRC individuals or foreigners in China, like us, the determining criteria set forth in Circular 82 may reflect SAT’s general position on how the “de facto management bodies” test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

Substantially all members of our management are currently located in China and we expect them to continue to be located in China for the foreseeable future. Therefore, if we are deemed to be a PRC tax resident enterprise, we will be subject to an enterprise income tax rate of 25.0% on our worldwide income if no preferential tax treatment is applicable. According to the New EIT Law and its implementing rules, dividends are exempted from income tax if such dividends are received by a resident enterprise on an equity interest it directly owns in another resident enterprise. Therefore, it is possible that dividends we derive through our Hong Kong subsidiaries from our PRC subsidiaries would be tax exempt income under the New EIT Law if our Hong Kong subsidiaries are also deemed to be “resident enterprises.”

If we are deemed to be a PRC tax resident enterprise, we would then be obliged to withhold PRC withholding income tax on the gross amount of dividends declared to shareholders who are non-PRC tax residents. The withholding income tax rate is 10.0% for non-resident enterprises and 20.0% for non-resident individuals, unless otherwise provided under the applicable double tax treaties between China and governments of other jurisdictions.

Significant uncertainties still exist with respect to the interpretation of the New EIT Law and its implementing rules. Any increase in the enterprise income tax rate applicable to us, the imposition of PRC income tax on our global income or the imposition of withholding tax on dividends declared by our subsidiaries to us could have a material adverse effect on our business, financial condition and results of operations.

Regulations relating to Foreign Exchange in Certain Onshore and Offshore Transactions

Pursuant to SAFE Circular 37, a PRC resident must register with the local SAFE branch before such PRC resident contributes assets or equity interests in an Overseas SPV that is established or controlled by the PRC resident for the purpose of conducting investment or financing, and following the initial registration, the PRC resident is required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change in the PRC resident shareholder of the Overseas SPV, the name of the Overseas SPV, its term of operation, or any increase or reduction in the registered capital of the Overseas SPV, any share transfer or swap, and any merger or division. According to the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment released on February 13, 2015 by SAFE, local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, under SAFE Circular 37 from June 1, 2015. Any failure to comply with these registration procedures may result in penalties, including the imposition of fines, criminal liability, and restrictions on the ability of the PRC subsidiary of the Overseas SPV to distribute dividends to its overseas shareholders.

E. Taxation

Cayman Islands taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty and there are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of, the Cayman Islands. Although it is unlikely that we will be subject to material taxes, there is no assurance that the Cayman Islands government will not impose taxes in the future, which could be material to us. In addition, there may be tax consequences if we are, for example, involved in any transfer or conveyance of immovable property in the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by us and there are no exchange control regulations or currency restrictions in the Cayman Islands.

Under existing Cayman Islands laws, payments of interest and principal on the notes and dividends and capital in respect of our shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest and principal or a dividend or capital to any holder of the notes or our shares, as the case may be, nor will gains derived from the disposal of the notes or our shares be subject to Cayman Islands income or corporation tax.

No stamp duty is payable in respect of the issue or conversion of the notes. The notes themselves will be stamp able if they are executed in or brought into the Cayman Islands.

People's Republic of China taxation

The PRC enterprise income tax is calculated based on the taxable income determined under the PRC laws and accounting standards. Under the New EIT Law, all domestic and foreign-invested companies in China are subject to a uniform enterprise income tax at the rate of 25% and dividends from a PRC subsidiary to its foreign parent company are subject to a withholding tax at the rate of 10%, unless such foreign parent company's jurisdiction of incorporation has a tax treaty with China that provides for a reduced rate of withholding tax, or the tax is otherwise exempted or reduced pursuant to the PRC tax laws. Our subsidiaries in China are considered foreign investment entities ("FIEs"), and certain of these subsidiaries are directly held by our subsidiaries in Hong Kong. According to the currently effective tax treaty between China and Hong Kong, dividends payable by an FIE in China to a company in Hong Kong which directly holds at least 25% of the equity interests in the FIE will be subject to a withholding tax of 5%. In February 2009, SAT issued Circular No. 81. According to Circular No. 81, in order to enjoy the preferential treatment on dividend withholding tax rates, an enterprise must be the "beneficial owner" of the relevant dividend income, and no enterprise is entitled to enjoy preferential treatment pursuant to any tax treaties if such enterprise qualifies for such preferential tax rates through any transaction or arrangement, the major purpose of which is to obtain such preferential tax treatment. The tax authority in charge has the right to make adjustments to the applicable tax rates, if it determines that any taxpayer has enjoyed preferential treatment under tax treaties as a result of such transaction or arrangement. In February 2018, SAT issued Circular No. 9 to provide guidance on the criteria to determine whether an enterprise qualifies as the "beneficial owner" of the PRC sourced income for the purpose of obtaining preferential treatment under tax treaties. Pursuant to Circular No. 9, the PRC tax authorities will review and grant tax preferential treatment on a case-by-case basis and adopt the "substance over form" principle in the review. Circular 9 specifies that a beneficial owner should generally carry out substantial business activities and own and have control over the income, the assets or other rights generating the income. Therefore, an agent or a conduit company will not be regarded as a beneficial owner of such income. Circular 9 provides that the tax authorities shall make the decision based on a comprehensive consideration of all determining factors provided in Circular 9 rather than the status of a single determining factor. Since the two circulars were issued, it has remained unclear how the PRC tax authorities will implement them in practice and to what extent they will affect the dividend withholding tax rates for dividends distributed by our subsidiaries in China to our Hong Kong subsidiary. If the relevant tax authority determines that any of our Hong Kong subsidiaries is a conduit company and does not qualify as the "beneficial owner" of the dividend income it receives from our PRC subsidiaries, the higher 10% withholding tax rate may apply to such dividends.

Under the New EIT Law, an enterprise established outside of China with its “de facto management body” within China is considered a resident enterprise and will be subject to enterprise income tax at the rate of 25% on its worldwide income. The “de facto management body” is defined as the organizational body that effectively exercises overall management and control over production and business operations, personnel, finance and accounting, and properties of the enterprise. It remains unclear how the PRC tax authorities will interpret such a broad definition. If the PRC tax authorities determine that we should be classified as a resident enterprise, our global income will be subject to income tax at a uniform rate of 25%, which may have a material adverse effect on our financial condition and results of operations. Notwithstanding the foregoing provision, the New EIT Law also provides that, if a resident enterprise directly invests in another resident enterprise, the dividends received by the investing resident enterprise from the invested enterprise are exempted from income tax, subject to certain conditions. However, it remains unclear how the PRC tax authorities will interpret the PRC tax resident treatment of an offshore company, like us, having indirect ownership interests in PRC enterprises through intermediary holding vehicles.

If we were treated as a PRC resident enterprise, any interest payable to non-resident enterprise holders of the notes and dividends payable to non-resident enterprise holders of our ordinary shares or ADSs may be treated as income derived from sources within PRC and therefore subject to a 10% withholding tax (or 20% in the case of non-resident individual holders) unless an applicable income tax treaty provides otherwise. In addition, capital gains realized by non-resident enterprise holders upon the disposition of the notes, our ordinary shares or ADSs may be treated as income derived from sources within China and therefore subject to 10% income tax (or 20% in the case of non-resident individual holders) unless an applicable income tax treaty provides otherwise.

U.S. federal income taxation

The following discussion describes the material U.S. federal income tax consequences of the ownership and disposition of our ADSs or ordinary shares under currently applicable law. This discussion does not address any U.S. federal consequences other than U.S. federal income tax consequences (such as the gift or estate tax). This discussion also does not address any state, local or non-U.S. tax consequences of an investment in our ordinary shares or ADSs. This discussion applies to you only if you are a U.S. holder (as defined below) and beneficially own our ordinary shares or ADSs as capital assets for U.S. federal income tax purposes. This discussion does not apply to you if you are a member of a class of holders subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that elect to use a mark-to-market method of accounting for securities holdings;
- banks or other financial institutions;
- insurance companies;

- tax-exempt organizations;
- partnerships and other entities treated as partnerships for U.S. federal income tax purposes or persons holding ordinary shares or ADSs through any such entities;
- real estate investment trusts;
- regulated investment companies;
- persons that hold ordinary shares or ADSs as part of a hedge, straddle, constructive sale, conversion transaction or other integrated investment;
- U.S. holders (as defined below) whose functional currency for tax purposes is not the U.S. dollar;
- certain former citizens or long-term residents of the United States;
- persons subject to special tax accounting rules as a result of any item of gross income with respect to our ordinary shares or ADSs being taken into account in an “applicable financial statement” as defined in Section 451(b) of the Code (as defined below);
- persons liable for alternative minimum tax; or
- persons who actually or constructively own 10.0% or more of the total combined voting power of all classes of our shares (including ADSs) entitled to vote or 10.0% or more of the total value of our shares (including ADSs).

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, all as currently in effect. These laws are subject to change, possibly on a retroactive basis. In addition, this discussion relies in part on our assumptions regarding the projected value of our shares and the nature of our business. Finally, this discussion is based in part upon the representations of the depository and the assumption that each obligation in the deposit agreement and any related agreement will be performed in accordance with its terms.

You should consult your own tax advisor concerning the particular U.S. federal income tax consequences to you of the purchase, ownership and disposition of our ordinary shares or ADSs, as well as the consequences to you arising under the laws of any other taxing jurisdiction.

For purposes of the U.S. federal income tax discussion below, you are a “U.S. holder” if you beneficially own our ordinary shares or ADSs and are:

- a citizen or resident of the United States for U.S. federal income tax purposes;
- a corporation, or other entity taxable as a corporation, that was created or organized in or under the laws of the United States or any political subdivision of the United States;
- an estate the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust, if (1) a court within the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in effect to be treated as a U.S. person.

If a partnership or other flow-through entity holds ordinary shares or ADSs, the tax treatment of a partner or other owner will generally depend on the status of the partner or other owner and the activities of the partnership or other flow-through entity. A holder of ordinary shares or ADSs that is a partnership or a partner in such partnership should consult its own tax advisor regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of the ordinary shares or ADSs.

ADSs. If you hold ADSs, for U.S. federal income tax purposes, you generally will be treated as the owner of the underlying ordinary shares that are represented by such ADSs. Accordingly, deposits or withdrawals of ordinary shares for ADSs will not be subject to U.S. federal income tax.

Dividends on Ordinary Shares or ADSs. Subject to the passive foreign investment company, or PFIC, discussion below, the gross amount of any distributions (including amounts withheld to reflect PRC withholding taxes, if any) you receive on your ordinary shares or ADSs are generally treated as dividend income if the distributions are made from our current or accumulated earnings and profits, calculated according to U.S. federal income tax principles. Such income (including any withheld taxes) will be includable in your gross income on the day actually or constructively received by you, in the case of ordinary shares, or by the depository in the case of ADSs. Distributions in excess of current and accumulated earnings and profits will be treated first as a non-taxable return of capital to the extent of your basis in the ordinary shares or ADSs and thereafter as a capital gain. If you are a non-corporate U.S. holder, including an individual, and have held your ADSs for a sufficient period of time, dividend distributions paid on our ADSs (but not our ordinary shares) will generally constitute qualified dividend income taxed at a preferential rate as long as our ADSs continue to be readily tradable on the New York Stock Exchange. Based on existing guidance, it is not clear whether a dividend on an ordinary share will be treated as a qualified dividend, because the ordinary shares are not themselves listed on a U.S. exchange. If, however, we are treated as a PRC “resident enterprise” under PRC law, we may be eligible for the benefits of the income tax treaty between the United States and the PRC, in which case dividends paid on our ordinary shares and ADSs would both be treated as qualified dividends (subject to the relevant holding period requirements). You should consult your own tax advisor as to the rate of tax that will apply to you with respect to dividend distributions, if any, you receive from us.

We do not intend to calculate our earnings and profits according to U.S. tax accounting principles. Accordingly, notwithstanding the discussion in the preceding paragraph, distributions on our ordinary shares or ADSs, if any, will generally be taxed to you as dividend distributions for U.S. tax purposes. If you are a corporation, you will not be entitled to claim a dividends-received deduction with respect to distributions you receive from us. In the event we are treated as a PRC “resident enterprise” under PRC law, we may be required to withhold PRC income tax on dividends paid to you under the New EIT Law. See “Item 3.D. Key Information—Risk Factors—Risks related to our ADSs, ordinary shares and notes—We may be required to withhold PRC income tax on any dividend we pay you, and any gain you realize on the transfer of our ordinary shares and/or ADSs may also be subject to PRC withholding tax.” Subject to generally applicable limitations, you may be eligible to claim a deduction or a foreign tax credit for PRC tax withheld at the appropriate rate. Dividends generally will be categorized as “passive category income” or, in the case of some U.S. holders, as “general category income” for foreign tax credit limitation purposes. The rules governing the use of foreign tax credits are very complex, and you are urged to consult your own tax advisor as to your ability, and the various limitations on your ability, to claim foreign tax credits in connection with the receipt of dividends.

Sales and Other Dispositions of Ordinary Shares or ADSs. Subject to the PFIC discussion below, when you sell or otherwise dispose of ordinary shares or ADSs in a taxable transaction, you will generally recognize capital gain or loss in an amount equal to the difference between the amount realized on the sale or other taxable disposition and your adjusted tax basis in the ordinary shares or ADSs, both as determined in U.S. dollars. Any gain or loss you recognize will be long-term capital gain or loss if you have held the ordinary shares or ADSs for more than one year at the time of disposition. If you are an individual, long-term capital gain will be taxed at preferential rates. Your ability to deduct capital losses will be subject to various limitations.

The gain or loss you recognize on a sale or disposition of our ordinary shares or ADSs generally will be treated as arising from sources within the United States for foreign tax credit limitation purposes. However, if gains from the disposition of ordinary shares or ADSs are taxed under the New EIT Law, see “Item 3.D. Key Information—Risk Factors—Risks related to our ADSs, ordinary shares and notes—We may be required to withhold PRC income tax on any dividend we pay you, and any gain you realize on the transfer of our ordinary shares and/or ADSs may also be subject to PRC withholding tax,” the income tax treaty between the United States and the PRC may apply, in which case you may elect to treat such gains as arising from sources within China for foreign tax credit limitation purposes. You are urged to consult your own tax advisors regarding the tax consequences to you under your particular circumstances if any PRC withholding tax is imposed on the disposition of ordinary shares or ADSs, including the availability of the foreign tax credit.

Status as a PFIC. If we are a PFIC in any taxable year in which you hold ordinary shares or ADSs, you will generally be subject to additional taxes and interest charges on certain “excess distributions” we make and on any gain realized on the disposition or deemed disposition of your ordinary shares or ADSs, regardless of whether we continue to be a PFIC in the year in which you receive an “excess distribution” or dispose of or are deemed to dispose of your ordinary shares or ADSs. Distributions in respect of your ordinary shares or ADSs during a taxable year will generally constitute “excess distributions” if, in the aggregate, they exceed 125% of the average amount of distributions in respect of your ordinary shares or ADSs over the three preceding taxable years or, if shorter, the portion of your holding period before such taxable year.

To compute the tax on excess distributions or any gain, (1) the excess distribution or the gain will be allocated ratably to each day in your holding period, (2) the amount allocated to the current year and any tax year before we first became a PFIC will be taxed as ordinary income in the current year, (3) the amount allocated to other taxable years will be taxable at the highest applicable marginal rate in effect for that year, and (4) an interest charge at the rate for underpayment of taxes for any period described under (3) above will be imposed with respect to any portion of the excess distribution or gain that is allocated to such period. In addition, if we are a PFIC or were in the year prior to a distribution, no distribution that you receive from us will qualify for taxation at the preferential rate discussed in the “—U.S. Federal Income Taxation—Dividends on Ordinary Shares or ADSs” section above.

We will be classified as a PFIC in any taxable year if, after the application of certain look-through rules, either: (1) 75.0% or more of our gross income for the taxable year is passive income (such as certain dividends, interest, rents or royalties), or (2) the average percentage value (determined on a quarterly basis) of our gross assets during the taxable year that produce passive income or are held for the production of passive income is at least 50.0% of the value of our total assets. For purposes of the asset test, any cash, cash equivalents, cash invested in short-term, interest bearing, debt instruments, or bank deposits, and any other current asset that is readily convertible into cash, will generally count as a passive asset.

We operate an active online real estate Internet portal in China and do not believe we were a PFIC for our 2018 taxable year. We have no current intention to change the general manner in which we organize or conduct our business in later taxable years, not taking into account transactions outside of the ordinary course of business. Our expectations are based on assumptions as to our projections of the value of our outstanding shares and of the other cash that we will hold and generate in the ordinary course of our business. We have not conducted a separate appraisal of the values of our assets for this purpose. Although the law in this regard is not entirely clear, we treat our consolidated controlled entities as being owned by us for U.S. federal income tax purposes. Despite our expectations, there can be no assurance that we will not be a PFIC in the current or any future taxable years, as PFIC status is re-tested each year and depends on the actual facts in such year. We could be a PFIC, for example, if our market capitalization (i.e., our share price multiplied by the total number of our outstanding ordinary shares) at any time in the future is lower than projected, if it is determined that we are not the owner of our consolidated controlled entities for U.S. federal income tax purposes, or if our business and assets evolve in ways that are different from what we currently anticipate. In addition, though we believe that our assets and the income derived from our assets do not generally constitute passive assets and income under the PFIC rules, there is no assurance that the Internal Revenue Service, or IRS, will agree with us.

If we are a PFIC in any year, as a U.S. holder, you will generally be required to file a return on IRS Form 8621 regarding your ordinary shares or ADSs on an annual basis. You should consult your own tax adviser regarding reporting requirements with regard to your ordinary shares or ADSs.

If we are a PFIC in any year, so long as the ADSs are and remain “marketable,” you will be able to avoid the excess distribution rules described above by making a timely so-called “mark-to-market” election with respect to such U.S. holder’s ADSs. The ADSs will be “marketable” as long as they remain regularly traded on a national securities exchange, such as The New York Stock Exchange. If you make this election in a timely fashion, you will generally recognize as ordinary income or ordinary loss (limited to the amount of prior ordinary gain) the difference between the adjusted tax basis of your ADSs on the first day of any taxable year and their value on the last day of that taxable year. Your basis in the ADSs will be adjusted to reflect any such income or loss. A mark-to-market election will be effective for the taxable year for which the election is made and for all subsequent taxable years, unless the ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. However, because a mark-to-market election cannot be made for any lower-tier PFICs that we may own, you may continue to be subject to the PFIC rules with respect to any indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes, including our subsidiaries. In addition, because our ordinary shares are not regularly traded on a national securities exchange, you will not be able to make a mark-to-market election with respect to any ordinary shares held by such U.S. holder. You should consult your own tax advisors with respect to making a mark-to-market election.

In addition, if we are a PFIC in any year, you might be able to avoid the excess distribution rules described above by making a timely so-called “qualified electing fund,” or QEF, election to be taxed currently on your pro rata portion of our income and gain. However, we do not intend to provide the information that would be necessary for you to make a QEF election. Accordingly, you will not be able to make or maintain a QEF election with respect to your ADSs or ordinary shares.

You should consult with your tax advisors regarding the U.S. federal income tax consequences of holding ADSs or ordinary shares if we are considered to be a PFIC in any taxable year as well as your eligibility for a “mark-to-market” election and whether making such an election would be advisable to you in your particular circumstances.

Additional Tax on Net Investment Income

If you are an individual, estate or trust whose income exceeds certain thresholds, you will be subject to a 3.8% Medicare contribution tax on net investment income, including, among other things, dividends on, and capital gains from, the sale or other taxable disposition of, your ordinary shares or ADSs, subject to certain limitations and exceptions.

U.S. Information Reporting and Backup Withholding Rules

In general, dividend payments with respect to the ordinary shares or ADSs and the proceeds received on the sale or other disposition of those ordinary shares or ADSs may be subject to information reporting to the IRS, and to backup withholding (currently imposed at a rate of 24.0%). Backup withholding will not apply, however, if you (1) are a corporation or come within certain other exempt categories and, when required, can demonstrate that fact or (2) provide a taxpayer identification number, certify as to no loss of exemption from backup withholding and otherwise comply with the applicable backup withholding rules. To establish your status as an exempt person, you will generally be required to provide certification on IRS Form W-9. Any amounts withheld from payments to you under the backup withholding rules will generally be allowed as a refund or a credit against your U.S. federal income tax liability, provided that you timely furnish the required information to the IRS.

You may be required to report information with respect to your ordinary shares or ADSs not held through a custodial account with a U.S. financial institution to the IRS. In general, if you hold specified "foreign financial assets" (which generally would include ordinary shares or ADSs) with an aggregate value exceeding \$50,000, you will be required to report information about those assets on IRS Form 8938, which must be attached to your annual income tax return. Higher asset thresholds apply if you file a joint tax return or reside abroad. If you fail to report required information, you could become subject to substantial penalties. You should consult your own tax advisor regarding your obligation to file IRS Form 8938.

You should consult your own tax advisor regarding the application of the U.S. federal income tax laws to their particular situations as well as any additional tax consequences resulting from purchasing, holding or disposing of ordinary shares or ADSs, including the applicability and effect of the tax laws of any state, local or foreign jurisdiction and any estate, gift, and inheritance laws.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on display

We have previously filed with the SEC our registration statement on Form F-1 (File Number 333-169170), as amended, and a prospectus under the Securities Act with respect to our ordinary shares represented by our ADSs, and a related registration statement on Form F-6 (File Number 333-169176) with respect to our ADSs, as amended. We have also filed with the SEC registration statements on Form S-8 (File Numbers 333-173157 and 333-207182) with respect to our ADSs, as amended. In addition, we have filed with the SEC an automatic shelf registration statement on Form F-3 (File Number 333-208628), as amended, and a prospectus under the Securities Act with respect to our ordinary shares and ADSs.

We are subject to the periodic reporting and other informational requirements of the Exchange Act. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year for fiscal years ending on or after December 15, 2011. Copies of reports and other information, when so filed, may be inspected without charge and may be obtained at prescribed rates at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system.

As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will furnish JPMorgan Chase Bank, N.A., the depositary, with our annual reports, which include a review of operations and annual audited consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP” or “GAAP”), and all notices of shareholders’ meeting and other reports and communications that are made generally available to our shareholders. The depositary makes such notices, reports and communications available to holders of ADSs and, upon our request, mails to all record holders of ADSs the information contained in any notice of a shareholders’ meeting received by the depositary from us.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our primary market risk exposure is interest rate risk associated with short and long-term borrowings bearing variable interest rates. We are also exposed to foreign currency risk, which can adversely affect our operating profits.

The following discussion should be read in conjunction with the notes to our audited consolidated financial statements contained in this annual report, which provide further information on our debt and derivative instruments contained in this annual report.

Liquidity Risk

The principal method we use to manage liquidity risk arising from liabilities is maintaining an adequate level of cash and cash equivalents with different banks. In 2016, 2017 and 2018, we monitored our liquidity risks by considering the maturity of our financial assets and projected cash flows from operations. Our objective is to maintain a balance between a continuity of funding and flexibility through settlement from customers and subsequent payment to vendors to meet our working capital requirements.

Interest Rate Risk

Our earnings are affected by changes in interest rates due to the impact of such changes on interest income and expense from interest-bearing financial assets and liabilities. Our interest-bearing financial assets and liabilities are predominately denominated in Renminbi and U.S. dollars. Our financial assets consist primarily of cash deposits with fixed interest rates and receivables.

Foreign Currency Risk

Substantially all of our revenues, cash and cash equivalent assets, costs and expenses, are denominated in Renminbi, and the functional currency of our principal operating subsidiaries and consolidated controlled entities is the Renminbi. On the other hand, a portion of our expenditures are denominated in foreign currencies, primarily the U.S. dollar, and we use the U.S. dollar as our functional and reporting currency. The ADSs are also traded in U.S. dollars. As a result, the value of your investment in our ADSs will be affected by fluctuations in exchange rates, particularly appreciation or depreciation in the value of the Renminbi relative to the U.S. dollar and other foreign currencies, without giving effect to any underlying change in our business or results of operations. For example, if the Renminbi had weakened 5.0% against the U.S. dollar with all other variables held constant, our loss for 2016 would have been US\$4.1 million lower, our profit for 2017 would have been US\$0.8 million lower, and our loss for 2018 would have been US\$2.8 million lower. See “Item 3.D. Key Information—Risk Factors—Risks related to doing business in China—Fluctuations in the exchange rates of the Renminbi could materially and adversely affect the value of our shares or ADSs and result in foreign currency exchange losses.”

From time to time we manage to convert Renminbi into foreign currencies for purchases of equipment from overseas suppliers and for certain expenses. The Renminbi is not freely convertible into foreign currencies. In July 2005, the PRC government discontinued pegging the Renminbi to the U.S. dollar. However, the PBOC, regularly intervenes in the foreign exchange market to prevent significant short-term fluctuations in the exchange rate. Nevertheless, under China’s current exchange rate regime, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term.

Very limited hedging transactions are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert Renminbi into other currencies.

Credit Risk

Assets that potentially subject us to significant concentration of credit risk primarily consist of cash and cash equivalents, restricted cash, fixed-rate time deposits classified as short-term investments, accounts receivable, funds receivable, loans receivable and commitment deposits. As of December 31, 2018, we had US\$463.6 million in cash and cash equivalents, restricted cash and short-term investments, 96.2% and 3.8% of which were held by financial institutions in the PRC and financial institutions outside of the PRC, respectively. Under PRC law, it is generally required that a commercial bank in the PRC that holds third-party cash deposits protect the depositors’ rights and interests over their deposited money; PRC banks are subject to a series of risk control regulatory standards; and PRC bank regulatory authorities are empowered to take over the operation and management of any PRC bank that faces a material credit crisis. In the event of bankruptcy of one of the financial institutions in which we have deposits or investments, it may be unlikely to claim our deposits or investments back in full. We selected reputable financial institutions with high credit ratings to deposit its assets. We regularly monitor the ratings of the financial institutions in case of any defaults. There has been no recent history of default in relation to these financial institutions.

Accounts receivable are typically unsecured and are derived from revenue earned from customers in the PRC. The risk with respect to accounts receivable is mitigated by credit evaluations we perform on our customers and our ongoing monitoring of outstanding balances. We regularly review the creditworthiness of our customers and require collateral from our customers in certain circumstances when accounts receivables become long overdue.

Funds receivable represent amounts due from third-party payment service providers. We carefully consider and monitor the credit worthiness of the third-party payment service providers to mitigate any risks associated with funds receivable.

We are also exposed to default risk on our loans receivable. We assess the allowance for credit loss related to loans receivable on a quarterly basis, either on an individual or collective basis. As of December 31, 2018, no single borrower comprised a significant portion of our loan portfolio.

We regularly review the creditworthiness of real estate developers and require collateral from real estate developers in certain circumstances when commitment deposits become overdue.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

On March 18, 2014, we announced the change of the ratio of our American Depositary Receipts representing Class A ordinary shares from one ADS for one Class A ordinary shares to five ADSs for one Class A ordinary share. The record date for the ratio change was March 28, 2014. For our ADS holders, this ratio change had the same effect as a five-for-one ADS split. There was no change to our Class A ordinary shares or Class B ordinary shares. The effect of the ratio change on the ADS trading price on New York Stock Exchange occurred on April 7, 2014.

JPMorgan Chase Bank, N.A., our depositary, may charge each person to whom ADSs are issued, including, without limitation, issuances against deposits of shares, issuances in respect of share distributions, rights and other distributions, issuances pursuant to a stock dividend or stock split declared by us or issuances pursuant to a merger, exchange of securities or any other transaction or event affecting the ADSs or deposited securities, and each person surrendering ADSs for withdrawal of deposited securities in any manner permitted by the deposit agreement or whose ADRs are cancelled or reduced for any other reason, \$5.00 for each 100 ADSs (or any portion thereof) issued, delivered, reduced, cancelled or surrendered, the case may be. The depositary may sell (by public or private sale) sufficient securities and property received in respect of a share distribution, rights and/or other distribution prior to such deposit to pay such charge.

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing ordinary shares or by any party surrendering ADSs or to whom ADSs are issued (including, without limitation, issuance pursuant to a stock dividend or stock split declared by us or an exchange of stock regarding the ADRs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of \$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to \$0.05 per ADS for any cash distribution made pursuant to the deposit agreement;
- a fee of up to \$0.05 per ADS per calendar year (or portion thereof) for services performed by the depositary in administering the ADRs (which fee may be charged on a periodic basis during each calendar year and shall be assessed against holders of ADRs as of the record date or record dates set by the depositary during each calendar year and shall be payable in the manner described in the next succeeding provision);
- reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of the depositary's agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the ordinary shares or other deposited securities, the delivery of deposited securities or otherwise in connection with the depositary's or its custodian's compliance with applicable law, rule or regulation (which charge shall be assessed on a proportionate basis against holders as of the record date or dates set by the depositary and shall be payable at the sole discretion of the depositary by billing such holders or by deducting such charge from one or more cash dividends or other cash distributions);
- a fee for the distribution of securities (or the sale of securities in connection with a distribution), such fee being in an amount equal to the fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were ordinary shares) but which securities or the net cash proceeds from the sale thereof are instead distributed by the depositary to those holders entitled thereto;
- stock transfer or other taxes and other governmental charges;
- cable, telex and facsimile transmission and delivery charges incurred at your request in connection with the deposit or delivery of ordinary shares;
- transfer or registration fees for the registration of transfer of deposited securities on any applicable register in connection with the deposit or withdrawal of deposited securities; and
- expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars.

We will pay all other charges and expenses of the depositary and any agent of the depositary (except the custodian) pursuant to agreements from time to time between us and the depositary. The charges described above may be amended from time to time by agreement between us and the depositary.

Our depositary has agreed to reimburse us for certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses and exchange application and listing fees. Neither the depositary nor we can determine the exact amount to be made available to us because (1) the number of ADSs that will be issued and outstanding, (2) the level of fees to be charged to holders of ADSs, and (3) our reimbursable expenses related to the ADR program are not known at this time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing ordinary shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary may generally refuse to provide services to any holder until the fees and expenses owing by such holder for those services or otherwise are paid.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not applicable.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A. Material Modifications to the Rights of Security Holders

None.

B. Use of Proceeds

Not applicable.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and acting chief financial officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management has concluded that, as of December 31, 2018, our disclosure controls and procedures were not effective in certain respects, primarily due to the material weakness in our internal controls, as discussed below, to ensure that the information required to be disclosed by us in the reports that we file and furnish under the Exchange Act was recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our chief executive officer and acting chief financial officer, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) under the Exchange Act. Our management evaluated the effectiveness of our internal control over financial reporting, as required by Rule 13a-15(c) of the Exchange Act, based on criteria established in the Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this evaluation, our management has concluded that our internal control over financial reporting was not effective as of December 31, 2018 due to the existence of a material weakness, as described below.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. In addition, projections of any evaluation of effectiveness of our internal control over financial reporting to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented or detected on a timely basis. Our material weakness is that we did not have sufficient financial reporting and accounting personnel to formalize, design, implement and operate key controls over financial reporting process in order to report financial information in accordance with U.S. GAAP and SEC reporting requirements.

Notwithstanding the identified material weakness, management, including our chief executive officer and acting chief financial officer, believes the consolidated financial statements included in this annual report on Form 20-F present fairly, in all material respects, our financial condition, results of operations and cash flows in conformity with U.S. GAAP.

Attestation Report of the Registered Public Accounting Firm

Our independent registered public accounting firm, KPMG Huazhen LLP, has audited the effectiveness of our internal control over financial reporting as of December 31, 2018, as stated in its report, which appears on page F-2 of this annual report.

Changes in Internal Control over Financial Reporting

We are currently in the process of remediating the material weakness described above. In 2019, we will continue to implement additional measures to remediate the existing material weakness as discussed above. However, we cannot assure you that we will remediate our material weakness in a timely manner. See “Item 3. Key Information—D. Risk Factors—Risks Related to Our Business— If we fail to achieve and maintain an effective system of internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, which could result in harm to our business, loss of investor confidence in our financial reporting and a lower trading price of our ADSs or notes.”

As disclosed in “Item 15. Controls and Procedures” of our Annual Report on Form 20-F for the year ended December 31, 2017, management previously identified and disclosed a material weakness in our internal control over financial reporting in the design of controls to monitor and timely identify significant legal contingencies, or developments thereto, in order to perform appropriate accounting analysis and review, including related financial statement disclosures, as part of the financial statement close process. With the oversight of management and our audit committee, we have implemented the following remediation actions designed to improve our internal control over financial reporting and to help address our prior material weakness:

- assessed the progress made on legal contingencies in a timely manner by formalizing a litigation inventory and tracking report on a quarterly basis prepared and reviewed by our internal legal group; and
- improved timely communication between accounting team and internal legal group to address impact on the consolidated financial statements as a result of latest developments, if any, on legal contingencies.

Other than as described above, no changes in our internal controls over financial reporting occurred during the period covered by this annual report that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has determined that Sam Hanhui Sun is an “audit committee financial expert” as defined by SEC rules, and that he satisfies the independence requirements of Section 303A of the New York Stock Exchange Listed Company Manual and Rule 10A-3 promulgated under the Exchange Act.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted our code of conduct and ethics, a code that applies to members of the board of directors including its chairman and other senior officers, including the chief executive officer, the acting chief financial officer and the chief operations officer. This code is publicly available on our website at ir.fang.com.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by our independent registered public accounting firms, Ernst & Young Hua Ming LLP and KPMG Huazhen LLP, for the years ended December 31, 2017 and 2018, respectively. Save as disclosed below, we did not pay any other fees to Ernst & Young Hua Ming LLP and KPMG Huazhen LLP during the periods indicated below.

	2017	2018
	(U.S. dollars in thousands)	
Audit fees ⁽¹⁾	1,061	1,741
Audit-related fees ⁽²⁾	71	800
Tax fees ⁽³⁾	45	-
Total	<u>1,177</u>	<u>2,541</u>

(1) Audit fees are defined as the audit that needs to be performed each year in order to issue opinions on our consolidated financial statements and limited procedures performed in relation to interim financial information. We paid or accrued expenses of USD1,061 and USD541 for the years ended December 31, 2017 and 2018 related to Ernst & Young Hua Ming LLP. We paid or accrued expenses of USD1,200 to KPMG Huazhen LLP related to its audit of our annual financial statements for the year ended December 31, 2018 and limited procedures performed in relation to interim financial information.

(2) Audit-related fees include fees associated with the audit and reviews of carve-out financial statements of CIH for inclusion in the stand-alone SEC filings in connection with the proposed separation of CIH.

(3) Tax fees include those tax services provided by the independent auditor for tax compliance, tax advice and tax planning.

Policy on Pre-Approval of Audit and Non-Audit Services of Independent Auditors

Our audit committee is responsible for pre-approving all audit and non-audit services provided by our auditor. These services may include audit services, audit related services, tax services and other services, as described above. Pre-approval is detailed as to the particular service or categories of services, and is subject to a specific budget. Our management and our auditor report to the audit committee regarding the extent of services provided in accordance with this pre-approval and the fees for the services performed to date on an annual basis. The audit committee may also pre-approve additional services on a case-by-case basis.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

On July 19, 2018, we dismissed Ernst & Young Hua Ming LLP, as our independent registered public accounting firm, and engaged KPMG Huazhen LLP as our independent registered public accounting firm in connection with the audit of our consolidated financial statements for the fiscal year ending December 31, 2018, each effective immediately. The decision to change accountants was approved by the Audit Committee and our Board of Directors on July 19, 2018. The decision was not made due to any disagreements with Ernst & Young Hua Ming LLP.

The audit reports of Ernst & Young Hua Ming LLP on our consolidated financial statements as of and for the two fiscal years ended December 31, 2017 did not contain an adverse opinion or a disclaimer of opinion and was not qualified or modified as to uncertainty, audit scope or accounting principles. However, Ernst & Young Hua Ming LLP issued an adverse report with our internal control over financial reporting as of December 31, 2017 because of a material weakness related to the design of controls to monitor and timely identify significant legal contingencies, or developments thereto, in order to perform appropriate accounting analysis and review, including related financial statement disclosures, as part of the financial statement close process.

During the two fiscal years ended December 31, 2017 and the subsequent interim period through July 19, 2018, there were no (1) disagreements with Ernst & Young Hua Ming LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, any of which, if not resolved to their satisfaction would have caused them to make reference in connection with their opinion to the subject matter of the disagreement, or (2) "reportable events" requiring disclosure, pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F, except that Ernst & Young Hua Ming LLP having advised us that the internal controls necessary for us to develop reliable financial statements did not exist for the reason stated above.

We provided Ernst & Young Hua Ming LLP with a copy of the foregoing disclosure, and requested that Ernst & Young Hua Ming LLP furnish us with a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree. We have received the requested letter from Ernst & Young Hua Ming LLP, a copy of which is filed as Exhibit 16.1 to this Form 20-F.

During the two fiscal years ended December 31, 2017 and the subsequent interim period through July 19, 2018, neither we nor anyone on behalf of us has consulted with KPMG Huazhen LLP regarding (1) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us that KPMG Huazhen LLP concluded was an important factor considered by us in reaching a decision as to any accounting, auditing, or financial reporting issue, (2) any matter that was the subject of a disagreement pursuant to Item 16F(a)(1)(iv) of the instructions to Form 20-F, or (3) any reportable event pursuant to Item 16F(a)(1)(v) of the instructions to Form 20-F.

ITEM 16G. CORPORATE GOVERNANCE

As a foreign private issuer with shares listed on the New York Stock Exchange, we are subject to corporate governance requirements imposed by the New York Stock Exchange. Under Section 303A of the New York Stock Exchange Listed Company Manual, New York Stock Exchange listed non-US companies may, in general, follow their home country corporate governance practices in lieu of some of the New York Stock Exchange corporate governance requirements. A New York Stock Exchange listed non-U.S. company is simply required to provide a general summary of the significant differences to its U.S. investors either on the company website or in its annual report distributed to its U.S. investors.

We are committed to a high standard of corporate governance. As such, we endeavor to comply with most of the New York Stock Exchange corporate governance practices. However, the following are ways in which our current corporate governance practices differ from New York Stock Exchange corporate governance requirements since the laws of Cayman Islands do not require such compliance:

- We are not required to schedule an executive session at least once a year to be attended by only independent directors and all directors are currently entitled to attend all of our board meetings.
- We have not yet adopted or disclosed a method for interested parties to communicate directly with the presiding director or with non-management directors as a group.
- We are not required to obtain shareholder approval for the adoption of, or material revisions to, our equity compensation plans and our directors may amend, materially revise, or terminate our equity compensation plans, but no such action will affect any outstanding award in any manner materially adverse to a participant without the consent of the participant.
- Our compensation committee and our nominating and corporate governance committee are comprised with a majority of independent directors and not only independent directors. Our executive chairman, Mr. Mo, who serves on both our compensation committee and nominating and corporate governance committee, is not independent under the relevant New York Stock Exchange rules.

None of the above practices conflicts with the laws of the Cayman Islands or our fifth amended and restated memorandum and articles of association.

We may in the future determine to voluntarily comply with one or more of the foregoing provisions.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

PART III

ITEM 17. FINANCIAL STATEMENTS

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

Our consolidated financial statements are included at the end of this annual report.

ITEM 19. EXHIBITS

We have filed the following documents as exhibits to this annual report:

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
<u>1.1</u>	<u>Fifth Amended and Restated Memorandum and Articles of Association (incorporated by reference to Exhibit 99.2 of our Current Report on Form 6-K filed with the SEC on August 3, 2012).</u>
<u>2.1</u>	<u>Specimen ordinary share certificate (incorporated by reference to our Registration Statement on Form F-1 filed with the SEC on September 2, 2010).</u>
<u>2.2</u>	<u>Specimen American depositary receipt (incorporated by reference to our Registration Statement on Form F-6 filed with the SEC on March 18, 2014).</u>
<u>2.3</u>	<u>Form of Deposit Agreement (incorporated by reference to our Registration Statement on Form F-6 filed with the SEC on September 2, 2010).</u>
<u>2.4</u>	<u>Form of Amendment No. 1 to Deposit Agreement (incorporated by reference to Exhibit (a)(2) of our Registration Statement on Form F-6 filed with the SEC on January 31, 2011).</u>
<u>2.5</u>	<u>Form of Amendment No. 2 to Deposit Agreement (incorporated by reference to Exhibit (a)(3) of our Registration Statement on Form F-6 filed with the SEC on May 15, 2012).</u>
<u>2.6</u>	<u>Form of Amendment No. 3 to Deposit Agreement (incorporated by reference to Exhibit (a) of our Registration Statement on Form F-6 filed with the SEC on March 18, 2014).</u>
<u>2.7</u>	<u>Form of Restricted Deposit Agreement by and among SouFun Holdings Limited, JPMorgan Chase Bank, N.A. and the holders of American depositary receipts issued thereunder (incorporated by reference to Exhibit 99.3 of our Registration Statement on Form 6-K filed with the SEC on December 4, 2013).</u>
<u>2.8</u>	<u>Form of Indenture by and among SouFun Holdings Limited, JPMorgan Chase Bank, N.A. and the holders of American depositary receipts issued thereunder (incorporated by reference to Exhibit 99.2 of our Current Report on Form 6-K filed with the SEC on December 18, 2013).</u> <u>Certain instruments which define rights of holders of long-term debt of Fang and its subsidiaries are not being filed because the total amount of securities authorized under each such instrument does not exceed 10% of the total consolidated assets of SouFun and its subsidiaries. We will furnish a copy of each such instrument to the SEC upon request.</u>
<u>4.1</u>	<u>Registration Rights Agreement among SouFun Holdings Limited, Vincent Tianquan Mo, Next Decade, Media Partner, Digital Link, Shan Li, IDG-Accel China Capital L.P., and IDG-Accel China Capital Investors L.P., dated April 11, 2014 (incorporated by reference to Exhibit 4.2 of our Annual Report on Form 20-F filed with the SEC on April 30, 2014).</u>
<u>4.2</u>	<u>Termination and Release Agreement among SouFun Holdings Limited, General Atlantic and Apax, dated September 23, 2015 (incorporated by reference to Exhibit 4.3 of our Annual Report 20-F filed with the SEC on May 17, 2016).</u>
<u>4.3</u>	<u>Termination and Release Agreement among SouFun Holdings Limited, General Atlantic, Apax, Next Decade, Media Partner and Digital Link, dated September 23, 2015 (incorporated by reference to Exhibit 4.4 of our Annual Report 20-F filed with the SEC on May 17, 2016).</u>
<u>4.4</u>	<u>Registration Rights Agreement among SouFun Holdings Limited, Safari Group Holdings Limited and Safari Group CB Holdings Limited, dated September 24, 2015 (incorporated by reference to Exhibit 99.15 to the Schedule 13D filed with the SEC by Vincent Tianquan Mo on October 9, 2015).</u>

Exhibit No.	Description of Exhibit
4.5	Supplemental Agreement among SouFun Holdings Limited, IDG Alternative Global Limited and China Merchants Bank Co., Ltd., Tianjin Pilot Free Trade Zone Branch, dated November 4, 2015 (incorporated by reference to Exhibit 99.19 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).
4.6	Registration Rights Agreement among SouFun Holdings Limited, Karistone Limited and IDG-Accel China Capital L.P., dated November 10, 2015 (incorporated by reference to Exhibit 99.45 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).
4.7	Registration Rights Agreement among SouFun Holdings Limited, Karistone Limited and IDG-Accel China Capital Investors L.P., dated November 10, 2015 (incorporated by reference to Exhibit 99.46 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).
4.8	Registration Rights Agreement among SouFun Holdings Limited, Karistone Limited and Winning Star Global Limited, dated November 10, 2015 (incorporated by reference to Exhibit 99.47 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).
4.9	Registration Rights Agreement among SouFun Holdings Limited, Karistone Limited and Rainbow Zone Enterprise Inc., dated November 10, 2015 (incorporated by reference to Exhibit 99.48 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).
4.10	Registration Rights Agreement among SouFun Holdings Limited, Karistone Limited and Chuang Xi Capital Holdings Limited, dated November 10, 2015 (incorporated by reference to Exhibit 99.49 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).
4.11	Registration Rights Agreement among SouFun Holdings Limited, Karistone Limited and Wealth Harvest Global Limited, dated November 10, 2015 (incorporated by reference to Exhibit 99.50 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).
4.12	Stock Related Award Incentive Plan of 1999 (incorporated by reference to our Registration Statement on Form F-1 filed with the SEC on September 2, 2010).
4.13	2010 Stock Incentive Plan (incorporated by reference to our Registration Statement on Form F-1 filed with the SEC on September 2, 2010).
4.14	2015 Stock Incentive Plan (incorporated by reference to Exhibit 99.2 to our Current Report on Form 6-K filed with the SEC on July 6, 2015).
4.15	Form of Employment Agreement (incorporated by reference to our Registration Statement on Form F-1 filed with the SEC on September 2, 2010).
4.16	Form of Indemnification Agreement (incorporated by reference to our Registration Statement on Form F-1 filed with the SEC on September 2, 2010).
4.17	Form of Loan Agreement between and among Beijing Tuo Shi Huan Yu, SouFun Media or SouFun Network, Mr. Mo and/or Mr. Dai as shareholders of a consolidated controlled entity (incorporated by reference to Exhibit 4.19 of our Annual Report 20-F filed with the SEC on May 17, 2016).
4.17.1	Schedule of Loan Agreements between and among certain PRC subsidiary of Fang Holdings Limited and shareholders of a consolidated controlled entity (incorporated by reference to Exhibit 4.17.1 of our Annual Report on Form 20-F filed with the SEC on May 12, 2017).
4.18	Form of Creditor's Rights Transfer Agreement among Beijing Zhong Zhi Shi Zheng or Jia Tian Xia Network, Beijing Tuo Shi Huan Yu, SouFun Media or SouFun Network, and Mr. Mo and/or Mr. Dai as shareholders of a consolidated controlled entity (incorporated by reference to Exhibit 4.20 of our Annual Report 20-F filed with the SEC on May 17, 2016).
4.18.1*	Schedule of Creditor's Rights Transfer Agreements among certain PRC subsidiaries of Fang Holdings Limited and shareholders of certain consolidated controlled entity.

Exhibit No.	Description of Exhibit
4.19	Form of Equity Pledge Agreement among Beijing Zhong Zhi Shi Zheng or Jia Tian Xia Network, Mr. Mo and/or Mr. Dai and/or other shareholders of a consolidated controlled entity pledging the shares of the consolidated controlled entity (incorporated by reference to Exhibit 4.21 of our Annual Report 20-F filed with the SEC on May 17, 2016).
4.19.1*	Schedule of Equity Pledge Agreements among certain PRC subsidiary of Fang Holdings Limited and shareholders of a consolidated controlled entity.
4.20	Form of Shareholders' Proxy Agreement among Beijing Zhong Zhi Shi Zheng or Jia Tian Xia Network, a consolidated controlled entity, Mr. Mo and/or Mr. Dai and/or other shareholders of the consolidated controlled entity (incorporated by reference to Exhibit 4.22 of our Annual Report 20-F filed with the SEC on May 17, 2016).
4.20.1*	Schedule of Shareholders' Proxy Agreements among certain PRC subsidiary of Fang Holdings Limited, a consolidated controlled entity and shareholders of the consolidated controlled entity.
4.21	Form of Operating Agreement among Beijing Zhong Zhi Shi Zheng or Jia Tian Xia Network, a consolidated controlled entity, Mr. Mo and/or Mr. Dai and/or other shareholders of the consolidated controlled entity (incorporated by reference to Exhibit 4.23 of our Annual Report 20-F filed with the SEC on May 17, 2016).
4.21.1*	Schedule of Operating Agreements among certain PRC subsidiary of Fang Holdings Limited, a consolidated controlled entity and shareholders of the consolidated controlled entity.
4.22	Form of Exclusive Technical Consultancy and Services Agreement between Beijing Zhong Zhi Shi Zheng or Jia Tian Xia Network and a consolidated controlled entity (incorporated by reference to Exhibit 4.24 of our Annual Report 20-F filed with the SEC on May 17, 2016).
4.22.1*	Schedule of Exclusive Technical Consultancy and Services Agreements between certain PRC subsidiary of Fang Holdings Limited and a consolidated controlled entity.
4.23*	Form of Exclusive Call Option Agreement among Fang Holdings Limited, Mr. Mo and/or Mr. Dai and/or other shareholders of a consolidated controlled entity, the consolidated controlled entity and certain PRC subsidiaries of Fang Holdings Limited.
4.23.1*	Schedule of Exclusive Call Option Agreements among SouFun Holdings Limited, shareholders of a consolidated controlled entity, the consolidated controlled entity and certain PRC subsidiaries of Fang Holdings Limited.
4.24	Form of Intra-group Memorandum of Understanding between SouFun Network or SouFun Media and a consolidated controlled entity (incorporated by reference to our Registration Statement on Form F-1 filed with the SEC on September 2, 2010).
4.24.1	Schedule of Intra-group Memorandums of Understanding between certain PRC subsidiary of SouFun Holdings Limited and a consolidated controlled entity (incorporated by reference to Exhibit 4.16.1 of our Annual Report 20-F filed with the SEC on April 26, 2012).
4.25	Summary Translation of Strategic Cooperation Agreement between Beijing SouFun Network Technology Co., Ltd. and Shenzhen World Union Properties Consultancy Co., Ltd. (incorporated by reference to Exhibit 99.4 of our Current Report on Form 6-K filed with the SEC on July 11, 2014).
4.26	Summary Translation of Investment and Cooperation Framework Agreement between SouFun Holdings Limited and Hopefluent Group Holdings Limited (incorporated by reference to Exhibit 99.5 of our Current Report on Form 6-K filed with the SEC on July 11, 2014).
4.27	Summary Translation of Joint Venture Agreement between SouFun Holdings Limited and Tospur Real Estate Consulting Co., Ltd. (incorporated by reference to Exhibit 99.3 of our Current Report on Form 6-K filed with the SEC on November 13, 2014).

Exhibit No.	Description of Exhibit
4.28	<u>Summary Translation of Shareholders Agreement among Beijing China Index Information Co., Ltd., Shanghai SouFun Advertising Co., Ltd., Beijing Tian Xia Dai Information Service Co., Ltd., Beijing RunZe Microfinance Co., Ltd. and certain other parties thereto (incorporation by reference to Exhibit 4.36 of our Annual Report on Form 20-F filed with the SEC on April 28, 2015).</u>
4.29	<u>Summary Translation of Investment and Cooperation Agreement between SouFun Holdings Limited and Colour Life Services Group Co., Limited (incorporation by reference to Exhibit 4.37 of our Annual Report on Form 20-F filed with the SEC on April 28, 2015).</u>
4.30	<u>Subscription Agreement between SouFun Holdings Limited and IDG Alternative Global Limited, dated September 17, 2015 (incorporated by reference to Exhibit 99.2 of our Current Report on Form 6-K filed with the SEC on September 21, 2015).</u>
4.31	<u>Subscription Agreement among SouFun Holdings Limited, Safari Group Holdings Limited, Safari Group CB Holdings Limited and Safari Parent Limited, dated September 17, 2015 (incorporated by reference to Exhibit 99.3 of our Current Report on Form 6-K filed with the SEC on September 21, 2015).</u>
4.32	<u>Subscription Agreement Supplement among SouFun Holdings Limited, Safari Group Holdings Limited and Safari Group CB Holdings Limited, dated November 23, 2015 (incorporated by reference to Exhibit 99.2 of our Current Report on Form 6-K filed with the SEC on November 23, 2015).</u>
4.33	<u>Convertible Note (US\$28.00 million) by SouFun Holdings Limited, dated September 24, 2015 (incorporated by reference to Exhibit 99.3 to the Schedule 13D filed with the SEC by Vincent Tianquan Mo on October 9, 2015).</u>
4.34	<u>Convertible Note (US\$72.00 million) by SouFun Holdings Limited, dated September 24, 2015 (incorporated by reference to Exhibit 99.4 to the Schedule 13D filed with the SEC by Vincent Tianquan Mo on October 9, 2015).</u>
4.35	<u>Subscription Agreement Supplement between IDG Alternative Global Limited and SouFun Holdings Limited, dated October 29, 2015 (incorporated by reference to Exhibit 99.17 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).</u>
4.36	<u>Letter Agreement between IDG Alternative Global Limited and SouFun Holdings Limited, dated November 4, 2015 (incorporated by reference to Exhibit 99.18 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).</u>
4.37	<u>Supplemental Agreement among the IDG Alternative Global Limited, China Merchants Bank Co., Ltd., Tianjin Pilot Free Trade Zone Branch and SouFun Holdings Limited, dated November 4, 2015 (incorporated by reference to Exhibit 99.19 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).</u>
4.38	<u>Convertible Note (US\$200.00 million) by SouFun Holdings Limited, dated November 4, 2015 (incorporated by reference to Exhibit 99.20 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).</u>
4.39	<u>Subscription Agreement between SouFun Holdings Limited and Karistone Limited, dated November 9, 2015 (incorporated by reference to Exhibit 99.26 to the Amendment No. 1 to Schedule 13D filed with the SEC by Vincent Tianquan Mo on November 12, 2015).</u>
4.40	<u>Subscription Agreement between SouFun Holdings Limited and IDG-Accel China Capital L.P., dated November 9, 2015 (incorporated by reference to Exhibit 99.11 of our Current Report on Form 6-K filed with the SEC on November 23, 2015).</u>
4.41	<u>Subscription Agreement between SouFun Holdings Limited and IDG-Accel China Capital Investors L.P., dated November 9, 2015 (incorporated by reference to Exhibit 99.12 of our Current Report on Form 6-K filed with the SEC on November 23, 2015).</u>
4.42	<u>Subscription Agreement between SouFun Holdings Limited and Winning Star Global Limited, dated November 9, 2015 (incorporated by reference to Exhibit 99.13 of our Current Report on Form 6-K filed with the SEC on November 23, 2015).</u>
4.43	<u>Subscription Agreement between SouFun Holdings Limited and Rainbow Zone Enterprise Inc., dated November 9, 2015 (incorporated by reference to Exhibit 99.14 of our Current Report on Form 6-K filed with the SEC on November 23, 2015).</u>

Exhibit No.	Description of Exhibit
4.44	Subscription Agreement between SouFun Holdings Limited and Chuang Xi Capital Holdings Limited, dated November 9, 2015 (incorporated by reference to Exhibit 99.15 of our Current Report on Form 6-K filed with the SEC on November 23, 2015).
4.45	Subscription Agreement between SouFun Holdings Limited and Wealth Harvest Global Limited, dated November 9, 2015 (incorporated by reference to Exhibit 99.16 of our Current Report on Form 6-K filed with the SEC on November 23, 2015).
4.46	Summary Translation of Cooperation Framework Agreement among SouFun Holdings Limited, Chongqing Wanli New Energy Co., Ltd. and other relevant parties, dated November 13, 2015 (incorporated by reference to Exhibit 99.3 of our Current Report on Form 6-K filed with the SEC on November 13, 2015).
4.47	Summary Translation of Share Subscription Agreement among Beijing SouFun Fang Tian Xia Network Technology Co., Ltd., Beijing Fang Tian Xia Network Technology Co., Ltd., Beijing SouFun Decorative Engineering Co., Ltd., Beijing SouFun Science and Technology Development Co., Ltd., Chongqing Wanli New Energy Co., Ltd. and other relevant parties, dated January 19, 2016 (incorporated by reference to Exhibit 99.2 of our Current Report on Form 6-K filed with the SEC on January 22, 2016).
4.48	Summary Translation of Compensation Agreement among Beijing SouFun Fang Tian Xia Network Technology Co., Ltd., Beijing Fang Tian Xia Network Technology Co., Ltd., Beijing SouFun Decorative Engineering Co., Ltd. and Chongqing Wanli New Energy Co., Ltd., dated January 19, 2016 (incorporated by reference to Exhibit 99.3 of our Current Report on Form 6-K filed with the SEC on January 22, 2016).
4.49	Summary Translation of the Non-compete Agreement among Vincent Tianquan Mo, SouFun Holdings Limited and Chongqing Wanli New Energy Co., Ltd., dated May 2, 2016 (incorporated by reference to Exhibit 4.58 of our Annual Report 20-F filed with the SEC on May 17, 2016).
4.50	Summary Translation of Commercial Properties Purchase Agreement between Beijing SouFun Network Technology Co., Ltd. and Beijing Jinyu Dacheng Co., Ltd., dated November 10, 2015 (incorporated by reference to Exhibit 99.3 of our Current Report on Form 6-K filed with the SEC on November 23, 2015).
4.51	Summary Translation of Share Subscription and Asset Purchase Termination Agreement among Beijing SouFun Fang Tian Xia Network Technology Co., Ltd., Beijing Fang Tian Xia Network Technology Co., Ltd., Beijing SouFun Decorative Engineering Co., Ltd., Beijing SouFun Science and Technology Development Co., Ltd., Chongqing Wanli New Energy Co., Ltd. and other relevant parties, dated February 22, 2017 (incorporated by reference to Exhibit 4.51 of our Annual Report on Form 20-F filed with the SEC on May 12, 2017).
4.52*	Summary Translation of Share Transfer Agreement among Shenzhen Nanfang Tongzheng Investment Co., Ltd., Jia Tian Xia Asset Management Co., Ltd. and Mr. Xicheng Liu in relation to Chongqing Wanli New Energy Co., Ltd, dated July 19, 2018.
4.53*	English Translation of Loan Agreement among Beijing Zhong Zhi Shi Zheng, Mr. Vincent Tianquan Mo and Ms. Yu Huang, dated June 11, 2018
4.54*	English Translation of Equity Pledge Agreement among Beijing Zhong Zhi Shi Zheng, Mr. Vincent Tianquan Mo and Ms. Yu Huang, dated June 11, 2018
4.55*	English Translation of Shareholders' Proxy Agreement among Beijing Zhong Zhi Shi Zheng, Beijing Zhong Zhi Hong Yuan, Mr. Vincent Tianquan Mo and Ms. Yu Huang, dated June 11, 2018
4.56*	English Translation of Operating Agreement among Beijing Zhong Zhi Shi Zheng, Beijing Zhong Zhi Hong Yuan, Mr. Vincent Tianquan Mo and Ms. Yu Huang, dated June 11, 2018
4.57*	English Translation of Exclusive Technical Consultancy and Services Agreement between Beijing Zhong Zhi Shi Zheng and Beijing Zhong Zhi Hong Yuan, dated June 11, 2018
4.58*	English Translation of Exclusive Call Option Agreement among Beijing Zhong Zhi Shi Zheng, Beijing Zhong Zhi Hong Yuan, Mr. Vincent Tianquan Mo and Ms. Yu Huang, dated June 11, 2018
4.59*	English Translation of Supplementary Agreement to the Exclusive Call Option Agreement, among China Index Holdings Limited, Beijing Zhong Zhi Shi Zheng, Beijing Zhong Zhi Hong Yuan, Mr. Vincent Tianquan Mo and Ms. Yu Huang, dated October 1, 2018
8.1*	List of Principal Subsidiaries and Consolidated Controlled Entities.

Exhibit No.	Description of Exhibit
<u>11.1</u>	<u>Code of Business Conduct and Ethics (incorporated by reference to Exhibit 99.1 of our Registration Statement on Form F-1 filed with the SEC on September 2, 2010).</u>
<u>12.1*</u>	<u>Certification of Chief Executive Officer required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).</u>
<u>12.2*</u>	<u>Certification of Chief Financial Officer required by Rule 13a-14(a) (17 CFR 240.13a-14(a)) or Rule 15d-14(a) (17 CFR 240.15d-14(a)).</u>
<u>13.1**</u>	<u>Certification of Chief Executive Officer required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).</u>
<u>13.2**</u>	<u>Certification of Chief Financial Officer required by Rule 13a-14(b) (17 CFR 240.13a-14(b)) or Rule 15d-14(b) (17 CFR 240.15d-14(b)) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350).</u>
<u>15.1*</u>	<u>Consent of Jingtian & Gongcheng.</u>
<u>15.2*</u>	<u>Consent of KPMG Huazhen LLP.</u>
<u>15.3*</u>	<u>Consent of Ernst & Young Hua Ming LLP.</u>
<u>16.1*</u>	<u>Letter from Ernst & Young Hua Ming LLP to the Securities and Exchange Commission.</u>
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

* Filed herewith
** Furnished herewith

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

FANG HOLDINGS LIMITED

By: /s/ Vincent Tianquan Mo

Name: Vincent Tianquan Mo

Title: Executive Chairman

Date: May 14, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Fang Holdings Limited:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of Fang Holdings Limited and subsidiaries (the “Company”) as of December 31, 2018, the related consolidated statements of comprehensive income (loss), shareholders’ equity, and cash flows for the year then ended, and the related notes (collectively, the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company’s internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated May 14, 2019 expressed an adverse opinion on the effectiveness of the Company’s internal control over financial reporting.

Changes in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, in 2018, the Company has changed its method of accounting for revenue recognition due to the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, and has changed its method of accounting for investments in equity securities due to the adoption of Accounting Standards Update No. 2016-01, *Financial Instruments - Overall (Subtopic 825-10)*, *Recognition and Measurement of Financial Assets and Financial Liabilities*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ KPMG Huazhen LLP

We have served as the Company’s auditor since 2018.

Beijing, China
May 14, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Fang Holdings Limited:

Opinion on Internal Control Over Financial Reporting

We have audited Fang Holdings Limited and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, because of the effect of the material weakness, described below, on the achievement of the objectives of the control criteria, the Company has not maintained effective internal control over financial reporting as of December 31, 2018, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2018, the related consolidated statements of comprehensive income (loss), shareholders' equity, and cash flows for the year then ended, and the related notes (collectively, the "consolidated financial statements"), and our report dated May 14, 2019 expressed an unqualified opinion on those consolidated financial statements.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. A material weakness related to the lack of sufficient financial reporting and accounting personnel to formalize, design, implement and operate key controls over financial reporting process in order to report financial information in accordance with U.S. GAAP and SEC reporting requirements has been identified and included in management's assessment. The material weakness was considered in determining the nature, timing, and extent of audit tests applied in our audit of the 2018 consolidated financial statements, and this report does not affect our report on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG Huazhen LLP

Beijing, China
May 14, 2019

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Fang Holdings Limited

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Fang Holdings Limited (the Company) as of December 31, 2017, the related consolidated statements of comprehensive income (loss), shareholders' equity and cash flows for each of the two years in the period ended December 31, 2017, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2017, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

Adoption of New Accounting Standard

As discussed in Note 2 to the consolidated financial statements, the accompanying consolidated statements of cash flows for each of the two years in the period ended December 31, 2017 have been adjusted for the retrospective application of the authoritative guidance on the presentation and classification of restricted cash which was adopted by the Company on January 1, 2018.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP

We served as the Company's auditor from 2008 to 2018.

Shenzhen, The People's Republic of China

May 15, 2018

except for Note 2, as to which the date is May 14, 2019, related to the effect of the restatement related to the presentation and classification of restricted cash in the consolidated statements of cash flows

FANG HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

	<u>Notes</u>	<u>As of December 31,</u>	
		<u>2017</u>	<u>2018</u>
		US\$	US\$
ASSETS			
Current assets:			
Cash and cash equivalents		228,276	195,108
Restricted cash, current		223,002	245,474
Short-term investments	5	55,801	16,043
Accounts receivable (net of allowance of US\$31,127 and US\$33,276 as of December 31, 2017 and 2018, respectively)	6	66,884	60,950
Funds receivable		6,264	5,474
Prepayments and other current assets	7	32,704	27,995
Commitment deposits (net of allowance of US\$206 and nil as of December 31, 2017 and 2018, respectively)		5,876	191
Loans receivable, current (net of allowance of US\$4,810 and US\$3,697 as of December 31, 2017 and 2018, respectively)	8	129,438	117,602
Amounts due from a related party	19	167	-
Total current assets		<u>748,412</u>	<u>668,837</u>
Non-current assets:			
Property and equipment, net	9	622,145	728,312
Land use rights		35,728	33,153
Loans receivable, non-current (net of allowance of US\$106 and US\$132 as of December 31, 2017 and 2018, respectively)	8	14,674	6,249
Deferred tax assets	17	7,602	2,202
Restricted cash, non-current portion		39,982	6,990
Deposits for non-current assets	10	58,722	902
Long-term investments	5	470,964	373,233
Other non-current assets	11	2,026	4,558
Total non-current assets		<u>1,251,843</u>	<u>1,155,599</u>
Total assets		<u>2,000,255</u>	<u>1,824,436</u>

The accompanying notes are an integral part of the consolidated financial statements.

FANG HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS (continued)
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

	Notes	As of December 31,	
		2017 US\$	2018 US\$
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Short-term loans (including short-term loans of the People's Republic of China (“PRC”) Domestic Entities and the PRC Domestic Entities' subsidiaries without recourse to the Company of US\$59,820 and US\$76,267 as of December 31, 2017 and 2018, respectively)	12	236,985	297,811
Deferred revenue (including deferred revenue of the PRC Domestic Entities and the PRC Domestic Entities' subsidiaries without recourse to the Company of US\$27,095 and US\$32,816 as of December 31, 2017 and 2018, respectively)		168,884	163,346
Accrued expenses and other liabilities (including accrued expenses and other liabilities of the PRC Domestic Entities and the PRC Domestic Entities' subsidiaries without recourse to the Company of US\$54,516 and US\$36,266 as of December 31, 2017 and 2018, respectively)	13	158,799	131,268
Customers' refundable fees (including customers' refundable fees of the PRC Domestic Entities and the PRC Domestic Entities' subsidiaries without recourse to the Company of US\$10,986 and US\$3,274 as of December 31, 2017 and 2018, respectively)	14	7,070	3,976
Income tax payable (including income tax payable of the PRC Domestic Entities and the PRC Domestic Entities' subsidiaries without recourse to the Company of US\$1,325 and US\$1,982 as of December 31, 2017 and 2018, respectively)		4,374	4,493
Amounts due to a related party	19	-	19
Convertible senior notes	15	5,700	-
Total current liabilities		581,812	600,913
Non-current liabilities:			
Long-term loans (including long-term loans of the PRC Domestic Entities and the PRC Domestic Entities' subsidiaries without recourse to the Company of US\$55,958 and US\$44,891 as of December 31, 2017 and 2018, respectively)	12	114,109	123,215
Convertible senior notes	15	291,365	254,435
Deferred tax liabilities (including deferred tax liabilities of the PRC Domestic Entities and the PRC Domestic Entities' subsidiaries without recourse to the Company of US\$51,227 and US\$10,488 as of December 31, 2017 and 2018, respectively)	17	126,641	97,578
Other non-current liabilities (including other non-current liabilities of the PRC Domestic Entities and the PRC Domestic Entities' subsidiaries without recourse to the Company of US\$37,936 and US\$51,144 as of December 31, 2017 and 2018, respectively)		146,053	153,095
Total non-current liabilities		678,168	628,323
Total liabilities		1,259,980	1,229,236
Commitments and contingencies	21	-	-

The accompanying notes are an integral part of the consolidated financial statements.

FANG HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEETS (continued)
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

	<u>Notes</u>	<u>As of December 31,</u>	
		<u>2017</u>	<u>2018</u>
		US\$	US\$
Shareholders’ equity:			
Class A ordinary shares, par value Hong Kong Dollar (“HK\$”) 1 per share, 600,000,000 shares authorized for Class A and Class B in aggregate, issued shares as of December 31, 2017 and 2018: 71,425,120 and 72,069,645; outstanding shares as of December 31, 2017 and 2018: 64,360,062 and 65,004,587	16	9,204	9,286
Class B ordinary shares, par value HK\$1 per share, 600,000,000 shares authorized for Class A and Class B in aggregate, and 24,336,650 shares and 24,336,650 shares issued and outstanding as at December 31, 2017 and December 31, 2018, respectively	16	3,124	3,124
Additional paid-in capital		500,666	517,802
Accumulated other comprehensive income (loss)		137,630	(75,837)
Retained earnings		225,574	276,746
Less: Treasury stock (7,065,058 and 7,065,058 shares as of December 31, 2017 and 2018, respectively.)		(136,615)	(136,615)
Total Fang Holdings Limited shareholders’ equity		739,583	594,506
Noncontrolling interests		692	694
Total shareholders’ equity		740,275	595,200
Total liabilities and shareholders’ equity		2,000,255	1,824,436

The accompanying notes are an integral part of the consolidated financial statements.

FANG HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

	Notes	For the Years Ended December 31,		
		2016 US\$	2017 US\$	2018 US\$
Revenues				
E-commerce services		577,684	87,809	15,384
Marketing services		165,437	149,267	119,680
Listing services		118,109	165,374	113,534
Financial services		29,602	12,055	18,060
Value-added services		25,559	29,791	36,358
Total revenues	4	916,391	444,296	303,016
Cost of revenues				
Cost of services		(687,184)	(174,599)	(58,570)
Gross profit		229,207	269,697	244,446
Operating (expenses) income				
Selling expenses		(229,817)	(91,250)	(69,532)
General and administrative expenses (including related party amounts of US\$897, US\$501 and US\$685 for the years ended December 31, 2016, 2017 and 2018, respectively)		(151,251)	(135,688)	(138,386)
Other income (loss)		415	(567)	3,275
Operating income (loss)		(151,446)	42,192	39,803
Foreign exchange (loss) gain		(1,882)	15	(598)
Interest income		11,367	11,322	10,302
Interest expense		(20,791)	(16,153)	(21,174)
Change in fair value of securities	5	-	518	(167,402)
Realized gain on sale of available-for-sale securities (including accumulated other comprehensive income reclassifications for unrealized gain on available-for-sale securities of US\$10,583, US\$2,736 and US\$1,493 for the years ended December 31, 2016, 2017 and 2018, respectively)	5	10,583	2,736	1,493
Government grants		6,469	3,154	1,435
Investment income, net	5	3,281	6,692	6,816
Other non-operating loss		-	(4,562)	(30)
Impairment on investments	5	(2,232)	(2,768)	-
Income (loss) before income taxes and noncontrolling interests		(144,651)	43,146	(129,355)
Income tax (expense) benefits	17	(24,984)	(21,442)	14,446
Net income (loss)		(169,635)	21,704	(114,909)
Net income (loss) attributable to noncontrolling interests		-	(3)	2
Net income (loss) attributable to Fang Holdings Limited’s shareholders		(169,635)	21,707	(114,911)

The accompanying notes are an integral part of the consolidated financial statements.

FANG HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (continued)
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

	Notes	For the Years Ended December 31,		
		2016 US\$	2017 US\$	2018 US\$
Other comprehensive income (loss), before tax				
Foreign currency translation adjustments		(60,732)	56,571	(46,648)
Amounts reclassified from accumulated other comprehensive income		(10,583)	(2,736)	(1,493)
Unrealized gain on available-for-sale securities		7,326	212,838	1,493
Gain (loss) on intra-entity foreign transactions of long-term-investment nature		(6,996)	1,872	(3,034)
Other comprehensive income (loss), before tax		(70,985)	268,545	(49,682)
Income tax expense related to components of other comprehensive income		-	(49,566)	-
Other comprehensive income (loss), net of tax		(70,985)	218,979	(49,682)
Comprehensive income (loss)		(240,620)	240,683	(164,591)
Comprehensive income (loss) attributable to noncontrolling interests		-	(3)	2
Comprehensive income (loss) attributable to Fang Holdings Limited’s shareholders		(240,620)	240,686	(164,593)
Earnings (loss) per share for Class A and Class B ordinary shares				
Basic	23	(1.81)	0.25	(1.29)
Diluted	23	(1.81)	0.24	(1.29)
Weighted average number of Class A and Class B ordinary shares outstanding:				
Basic	23	93,605,749	88,475,665	88,749,432
Diluted	23	93,605,749	91,585,677	88,749,432

The accompanying notes are an integral part of the consolidated financial statements.

FANG HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

	For the Years Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	(169,635)	21,704	(114,909)
<i>Adjustments to reconcile net income (loss) to net cash generated from operating activities:</i>			
Share-based compensation	6,552	7,218	14,082
Depreciation of property and equipment and amortization of land use rights	25,004	27,961	26,735
Deferred tax benefits	(2,250)	(317)	(21,271)
Allowance for doubtful accounts and loans receivable	29,712	32,614	24,598
Allowance for funds receivable	2,322	-	-
Realized and unrealized loss (gain) related to investment securities	(10,583)	(3,254)	165,931
Impairment on investments	2,232	2,768	-
Amortization of loan origination costs	1,302	191	-
Amortization of issuance costs and unamortized discount/premium for convertible senior notes	4,964	1,797	1,665
Loss on disposal of property and equipment	719	5,571	985
Deemed rental expense (Note 19)	154	159	162
Allowance of doubtful accounts of commitment deposit	-	206	-
Changes in operating assets and liabilities:			
Accounts receivable	16,190	(437)	(18,395)
Funds receivable	7,769	2,330	509
Prepayments and other current assets	16,730	9,405	3,405
Commitment deposits	4,119	816	5,608
Loans receivable, current	214,824	30,901	-
Loans receivable, non-current	36,158	14,800	-
Amounts due from a related party	273	(445)	167
Other non-current assets	(317)	5,644	(3,443)
Deferred revenue	(6,535)	30,260	12,644
Accrued expenses and other liabilities	(17,574)	(39,343)	(42,877)
Customers' refundable fees	(27,580)	(22,651)	(2,861)
Income tax payable	(3,437)	(1,685)	(294)
Other non-current liabilities	127	676	2,564
Net cash generated from operating activities	131,240	126,889	55,005

The accompanying notes are an integral part of the consolidated financial statements.

FANG HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

	For the Years Ended December 31,		
	2016 US\$	2017 US\$	2018 US\$
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of short-term investments	(73,804)	(383,064)	(721,703)
Proceeds from maturity and disposal of fixed-rate time deposits and trading securities	89,952	373,363	164,350
Proceeds from disposal of available-for-sale securities	13,074	13,931	595,363
Acquisition of property and equipment	(24,576)	(65,885)	(96,117)
Origination of loans receivable	-	(212,824)	(134,802)
Repayment of loans receivable	-	86,931	149,545
Purchase of land use rights	-	(34,263)	-
Proceeds from government in connection of purchase of land use rights	-	-	14,368
Acquisition of long-term investments	(4,902)	(13,000)	(84,544)
Proceeds from disposal of property and equipment	924	5,755	230
Proceeds from disposal of equity investment with readily determinable fair value	-	-	6,645
Deposits for non-current assets	(128,614)	(55,456)	-
Net cash used in from investing activities	(127,946)	(284,512)	(106,665)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of share options	1,664	4,785	2,974
Proceeds from short-term loans	296,558	-	36,327
Proceeds from long-term loans	67,721	111,475	66,843
Repayment of loans	(182,362)	(43,989)	(26,884)
Redemption of convertible senior notes	(394,300)	-	(44,560)
Repurchase of ordinary shares	(136,615)	-	-
Payment of loan origination costs	-	(302)	-
Net cash (used in) generated from financing activities	(347,334)	71,969	34,700
Exchange rate effect on cash, cash equivalents and restricted cash	(29,448)	29,302	(26,728)
Net decrease in cash, cash equivalents and restricted cash	(373,488)	(56,352)	(43,688)
Cash, cash equivalents and restricted cash at beginning of year	921,100	547,612	491,260
Cash, cash equivalents and restricted cash at end of year	547,612	491,260	447,572
Supplemental schedule of cash flow information:			
Income tax paid	6,664	7,979	8,218
Interest paid	19,418	16,895	12,215
Acquisition of property and equipment through utilization of deposits	14,345	244,568	57,102
Acquisition of property and equipment included in accrued expenses and other liabilities	-	6,121	10,438
Long-term investments received in settlement of funds receivable	13,947	12,058	-

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated balance sheets that sum to the total of the same such amounts shown in the consolidated statements of cash flows.

	As of December 31,	
	2017 US\$	2018 US\$
Cash and cash equivalents	228,276	195,108
Restricted cash, current	223,002	245,474
Restricted cash, non-current portion	39,982	6,990
Total cash, cash equivalents and restricted cash	491,260	447,572

FANG HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Amounts in thousands of United States Dollars ("US\$"), except for number of shares and per share data)

Total Fang Holdings Limited's Equity												
Number of Ordinary Shares			Accumulated Other Comprehensive Income (Loss)									
		Ordinary Shares	Additional Paid-in Capital	Treasury stock	Foreign currency translation adjustments	Unrealized gain on available-for-sale securities	Intra-entity foreign currency transaction loss	Total	Retained Earnings	Noncontrolling Interests	Total Equity	
Class A	Class B											
Balance as of December 31, 2015												
70,736,679	24,336,650	12,234	478,391	-	(16,870)	6,506	-	(10,364)	373,505	761	854,527	
Net loss for the year												
-	-	-	-	-	-	-	-	-	(169,635)	-	(169,635)	
Other comprehensive loss:												
Foreign currency translation adjustments												
-	-	-	-	-	(60,732)	-	-	(60,732)	-	-	(60,732)	
Unrealized loss on available-for-sale securities												
-	-	-	-	-	-	7,326	-	7,326	-	-	7,326	
Foreign currency transaction losses												
-	-	-	-	-	-	-	(6,996)	(6,996)	-	-	(6,996)	
Amounts reclassified from accumulated other comprehensive income												
-	-	-	-	-	-	(10,583)	-	(10,583)	-	-	(10,583)	
Contribution by noncontrolling interests												
-	-	-	-	-	-	-	-	-	-	(66)	(66)	
Contribution from shareholder (Note 19(b))												
-	-	-	154	-	-	-	-	-	-	-	154	
Repurchase of treasury stock												
(7,065,058)	-	-	-	(136,615)	-	-	-	-	-	-	(136,615)	
Share-based compensation												
-	-	-	6,552	-	-	-	-	-	-	-	6,552	
Excess tax benefits												
-	-	-	470	-	-	-	-	-	-	-	470	
Exercise of share options												
341,137	-	47	3,376	-	-	-	-	-	-	-	3,423	
Balance as of December 31, 2016												
<u>64,012,758</u>	<u>24,336,650</u>	<u>12,281</u>	<u>488,943</u>	<u>(136,615)</u>	<u>(77,602)</u>	<u>3,249</u>	<u>(6,996)</u>	<u>(81,349)</u>	<u>203,870</u>	<u>695</u>	<u>487,825</u>	

FANG HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)
(Amounts in thousands of United States Dollars ("US\$"), except for number of shares and per share data)

Total Fang Holdings Limited's Equity												
Number of Ordinary Shares		Accumulated Other Comprehensive Income (Loss)										
Class A	Class B	Ordinary Shares	Additional Paid-in Capital	Treasury stock	Foreign currency translation adjustments	Unrealized gain on available-for-sale securities	Intra-entity foreign currency transaction loss	Total	Retained Earnings	Noncontrolling Interests	Total Equity	
Balance as of December 31, 2016												
64,012,758	24,336,650	12,281	488,943	(136,615)	(77,602)	3,249	(6,996)	(81,349)	203,870	695	487,825	
Net profit for the year												
-	-	-	-	-	-	-	-	-	21,704	-	21,704	
Other comprehensive loss:												
Foreign currency translation adjustments												
-	-	-	-	-	56,571	-	-	56,571	-	-	56,571	
Unrealized loss on available-for-sale securities												
-	-	-	-	-	-	163,272	-	163,272	-	-	163,272	
Foreign currency transaction losses												
-	-	-	-	-	-	-	1,872	1,872	-	-	1,872	
Amounts reclassified from accumulated other comprehensive income												
-	-	-	-	-	-	(2,736)	-	(2,736)	-	-	(2,736)	
Contribution by noncontrolling interests												
-	-	-	-	-	-	-	-	-	-	(3)	(3)	
Contribution from shareholder (Note 19(b))												
-	-	-	159	-	-	-	-	-	-	-	159	
Share-based compensation												
-	-	-	7,218	-	-	-	-	-	-	-	7,218	
Excess tax benefits												
-	-	-	-	-	-	-	-	-	-	-	-	
Exercise of share options												
347,304	-	47	4,346	-	-	-	-	-	-	-	4,393	
Balance as of December 31, 2017												
<u>64,360,062</u>	<u>24,336,650</u>	<u>12,328</u>	<u>500,666</u>	<u>(136,615)</u>	<u>(21,031)</u>	<u>163,785</u>	<u>(5,124)</u>	<u>137,630</u>	<u>225,574</u>	<u>692</u>	<u>740,275</u>	

The accompanying notes are an integral part of the consolidated financial statements.

FANG HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)
(Amounts in thousands of United States Dollars ("US\$"), except for number of shares and per share data)

Total Fang Holdings Limited's Equity												
Number of Ordinary Shares		Accumulated Other Comprehensive Income (Loss)										
Class A	Class B	Ordinary Shares	Additional Paid-in Capital	Treasury stock	Foreign currency translation adjustments	Unrealized gain on available-for-sale securities	Intra-entity foreign currency transaction loss	Total	Retained Earnings	Noncontrolling Interests	Total Equity	
Balance as of December 31, 2017												
64,360,062	24,336,650	12,328	500,666	(136,615)	(21,031)	163,785	(5,124)	137,630	225,574	692	740,275	
Cumulative effect of adoption of ASC 606												
-	-	-	-	-	-	-	-	-	2,298	-	2,298	
Cumulative effect of adoption of ASU 2016-01												
-	-	-	-	-	-	(163,785)	-	(163,785)	163,785	-	-	
Balance as of January 1, 2018												
64,360,062	24,336,650	12,328	500,666	(136,615)	(21,031)	-	(5,124)	(26,155)	391,657	692	742,573	
Net (loss) profit for the year												
-	-	-	-	-	-	-	-	-	(114,911)	2	(114,909)	
Other comprehensive loss:												
Foreign currency translation adjustments												
-	-	-	-	-	(46,648)	-	-	(46,648)	-	-	(46,648)	
Loss on intra-entity foreign transactions of long-term investment nature												
-	-	-	-	-	-	-	(3,034)	(3,034)	-	-	(3,034)	
Unrealized gain on available-for-sale securities												
-	-	-	-	-	-	1,493	-	1,493	-	-	1,493	
Amounts reclassified from accumulated other comprehensive income												
-	-	-	-	-	-	(1,493)	-	(1,493)	-	-	(1,493)	
Contribution from shareholder (Note 19(b))												
-	-	-	162	-	-	-	-	-	-	-	162	
Share-based compensation												
-	-	-	14,082	-	-	-	-	-	-	-	14,082	
Exercise of share options and vesting of unvested shares												
644,525	-	82	2,892	-	-	-	-	-	-	-	2,974	
Balance as of December 31, 2018												
<u>65,004,587</u>	<u>24,336,650</u>	<u>12,410</u>	<u>517,802</u>	<u>(136,615)</u>	<u>(67,679)</u>	<u>-</u>	<u>(8,158)</u>	<u>(75,837)</u>	<u>276,746</u>	<u>694</u>	<u>595,200</u>	

The accompanying notes are an integral part of the consolidated financial statements.

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

The Company was incorporated on June 18, 1999 as Fly High Holdings Limited under the laws of the British Virgin Islands (“BVI”). In June 2004, the Company changed its name to SouFun Holdings Limited and its corporate domicile to the Cayman Islands and became a Cayman Islands company with limited liability under the Companies Law of the Cayman Islands. In 2016, the Company changed its name to Fang Holdings Limited (formerly known as SouFun Holdings Limited). The accompanying consolidated financial statements include the financial statements of (i) Fang Holdings Limited (the “Company”), (ii) its subsidiaries located outside of the People’s Republic of China (the “PRC”) (the “non-PRC subsidiaries”), (iii) wholly foreign owned entities in the PRC (the “WOFEs”) and their subsidiaries, (iv) entities controlled through contractual arrangements (the “PRC Domestic Entities”) and (v) the PRC Domestic Entities’ subsidiaries. The Company, and where appropriate, the term “Company” also refers to its non-PRC subsidiaries, WOFEs, PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries as a whole.

The Company is principally engaged in the provision of marketing services, listing services, financial services, E-commerce services and value-added services to the real estate and home furnishing industries in the PRC. Details of the Company’s major subsidiaries, PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries as of December 31, 2018 were as follows:

Company	Date of Establishment	Place of Establishment	Principal Activities
Beijing SouFun Internet Information Service Co., Ltd. (“Beijing Internet”)	December 17, 2003	PRC	Provision of marketing services and listing services
SouFun Media Technology (Beijing) Co., Ltd. (“SouFun Media”)	November 28, 2002	PRC	Provision of technology and information consultancy services
Beijing SouFun Network Technology Co., Ltd. (“SouFun Network”)	March 16, 2006	PRC	Provision of technology and information consultancy services
Beijing SouFun Science and Technology Development Co., Ltd. (“Beijing Technology”)	March 14, 2006	PRC	Provision of marketing services and listing services
Beijing Century Jia Tian Xia Technology Development Co., Ltd. (“Beijing JTX Technology”)	December 21, 2006	PRC	Provision of marketing services and listing services
Beijing Zhong Zhi Shi Zheng Information Technology Co. Ltd., (“Beijing Zhongzhi”)	June 5, 2007	PRC	Provision of technology and information consultancy services
Xinjiang Zhong Zhi Shu Ju Information Technology Co., Ltd. (“Xinjiang Zhong Zhi Shu Ju”)	August 10, 2017	PRC	Provision of technology and information consultancy services
Beijing Hong An Tu Sheng Network Technology Co., Ltd. (“Beijing Hong An”)	November 15, 2010	PRC	Provision of technology and information consultancy services
Beijing Tuo Shi Huan Yu Network Technology Co., Ltd. (“Beijing TuoShi”)	November 19, 2010	PRC	Provision of technology and information consultancy services
Beijing Yi Ran Ju Ke Technology Development Co., Ltd. (“Beijing Yi Ran Ju Ke”)	July 8, 2011	PRC	Provision of marketing services, rental services and real estate agency services
Beijing Hua Ju Tian Xia Network Technology Co., Ltd. (“Beijing Hua Ju Tian Xia”)	July 25, 2012	PRC	Provision of technology and information consultancy services

FANG HOLDINGS LIMITED
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(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

Company	Date of Establishment	Place of Establishment	Principal Activities
Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd. (“Beijing Zhong Zhi Hong Yuan”)	June 11, 2018	PRC	Provision of technology and information consultancy services
Beijing Li Man Wan Jia Network Technology Co., Ltd. (“Beijing Li Man Wan Jia”)	July 25, 2012	PRC	Provision of technology and information consultancy services
Shanghai Jia Biao Tang Real Estate Broking Co., Ltd. (“Shanghai JBT Real Estate Broking”)	July 7, 2005	PRC	Provision of real estate agency services, marketing services and listing services
Beijing Zhong Zhi Xun Bo Information Technology Co. Ltd., (“Zhongzhi Xun Bo”)	January 6, 2012	PRC	Provision of technology and information consultancy services
Tianjin SouFun Network Technology Co., Ltd. (“Tianjin SouFun Network”)	March 8, 2012	PRC	Provision of technology and information consultancy services
Tianjin Jia Tian Xia Network Technology Co., Ltd. (“Jia Tian Xia Network Technology”)	April 15, 2014	PRC	Provision of technology and information consultancy services
Hangzhou SouFun Network Technology Co., Ltd., (“Hangzhou SouFun Network”)	August 27, 2013	PRC	Provision of technology and information consultancy services
Wuhan SouFun Yi Ran Ju Ke Real Estate Agents Co., Ltd. (“Wuhan Yi Ran Ju Ke”)	December 13, 2013	PRC	Provision of real estate agency services and real estate information services
Hangzhou Ji Ju Real Estate Agents Co., Ltd. (“Hanzhou Ji Ju”)	December 23, 2013	PRC	Provision of real estate agency services and real estate information services
Fang Tian Xia Financial Information Service (Beijing) Ltd. (previously known as Beijing Tianxia Dai Information service Co., Ltd.)	April 9, 2014	PRC	Provision of finance information services
Shanghai SouFun Microfinance Co., Ltd. (“Shanghai SouFun Microfinance”)	January 19, 2015	PRC	Provision of Microfinance services
Beihai Tian Xia Dai Microfinance Co., Ltd. (“Beihai Tian Xia Dai Microfinance”)	September 12, 2014	PRC	Provision of microfinance services
Shanghai BaoAn Enterprise Co., Ltd. (“Shanghai BaoAn Enterprise”)	March 31, 2013	PRC	Lease, resale and management of property
Shanghai BaoAn Hotel Co., Ltd. (“Shanghai BaoAn Hotel”)	March 31, 2013	PRC	Operation and management of hotel, restaurant and other catering business

FANG HOLDINGS LIMITED
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(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

Company	Date of Establishment	Place of Establishment	Principal Activities
Beijing Fang Tian Xia Hong An Network Technology Ltd. (previously known as Beijing Fang Tian Xia Decorative Engineering Co., Ltd.)	October 15, 2014	PRC	Provision of decorative engineering services
Chongqing Tian Xia Dai Microfinance Co., Ltd (“Chongqing Tian Xia Dai Microfinance”)	December 11, 2014	PRC	Provision of microfinance services
Tianjin Jia Tian Xia Microfinance Co., Ltd. (“Tianjin Jia Tian Xia Microfinance”)	December 5, 2014	PRC	Provision of microfinance services
Beijing Fang Chao Real Estate Broking Co., Ltd. (“Beijing Fang Chao”)	March 6, 2015	PRC	Provision of real estate agency services
Guangzhou Fang Tian Xia Real Estate Broking Co., Ltd. (“Guangzhou Fang Tian Xia”)	March 9, 2015	PRC	Provision of real estate agency services
Beijing Cun Fang Real Estate Broking Co., Ltd. (“Beijing Cun Fang”)	April 7, 2015	PRC	Provision of real estate agency services
Shenzhen Fang Tian Xia Real Estate Broking Co., Ltd. (“Shenzhen Fang Tian Xia”)	April 13, 2015	PRC	Provision of real estate agency services
Tianjin Fang Tian Xia Real Estate Broking Co., Ltd. (“Tianjin Fang Tian Xia”)	May 21, 2015	PRC	Provision of real estate agency services
Nanjing Cun Fang Real Estate Broking Co., Ltd. (“Nanjing Cun Fang”)	April 30, 2015	PRC	Provision of real estate agency services

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

Company	Date of Establishment	Place of Establishment	Principal Activities
Nanchang Cun Fang Real Estate Broking Co., Ltd. (“Nanchang Cun Fang”)	June 3, 2015	PRC	Provision of real estate agency services
Chongqing Fang Tian Xia Real Estate Broking Co., Ltd. (“Chongqing Fang Tian Xia”)	May 27, 2015	PRC	Provision of real estate agency services
Shanghai SouFun Fang Tian Xia Broking Co., Ltd. (“Shanghai Fang Tian Xia”)	April 16, 2015	PRC	Provision of real estate agency services
Beijing Li Tian Rong Ze Yi Jia Technology Development Co., Ltd. (“Beijing Li Tian Rong Ze”)	September 4, 2015	PRC	Provision of technology and information consultancy services
Hong Kong Property Network Limited (“HK Property”)	May 19, 2011	Hong Kong	Investment holding
Best Fang Holdings LLC	Aug 30, 2017	United States of America	Investment holding
Best Work Holdings (New York) LLC (“Best Work”)	March 14, 2011	United States of America	Investment holding
China Index Holdings Limited	July 26, 2018	Cayman	Investment holding

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

In order to comply with PRC laws and regulations which restrict foreign control of companies involved in internet content provision (“ICP”) and advertising businesses, the Company operates its websites and provides online marketing advertising services in the PRC through its PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries.

The equity interests of the PRC Domestic Entities are legally held directly by Vincent Tianquan Mo, executive chairman of the board of directors, Yu Huang, chief executive officer of China Index Holdings Limited (“CIH”), a wholly owned subsidiary of the Company, or Richard Jiangong Dai, a director of the board who resigned from the board effective February 25, 2016. The effective control of the PRC Domestic Entities is held by the Company through three of its WOFEs, namely, SouFun Network, Beijing Zhongzhi and Jia Tian Xia Network Technology as a result of a series of contractual arrangements and their supplementary agreements signed with each of the PRC Domestic Entities which arrangements and agreements contain similar provisions regarding obligations and rights of the Company and the PRC Domestic Entities (hereinafter, together the “Contractual Agreements”). As a result of the Contractual Agreements, the Company maintains the ability to approve decisions made by the PRC Domestic Entities, is entitled to substantially all of the economic benefits from the PRC Domestic Entities and is obligated to absorb all of the PRC Domestic Entities’ expected losses.

Therefore, the Company consolidates the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries in accordance with the United States of America Securities and Exchange Commission (“SEC”) Regulation S-X Article 3A-02 and Accounting Standards Codification (“ASC”) 810, *Consolidation* (“ASC 810”).

The following is a summary of the Contractual Agreements:

Exclusive Technical Consultancy and Service Agreements

The WOFEs provide the following exclusive technical services to the PRC Domestic Entities: (i) access to information assembled by the WOFEs concerning the real estate industry and companies in this sector to enable the PRC Domestic Entities to target potential customers and provide research services; and (ii) technical information technology system support to enable the PRC Domestic Entities to service the needs of its customers. The agreements can be extended indefinitely at the sole discretion of the WOFEs.

Operating Agreements

Pursuant to the operating agreements, each PRC Domestic Entity and its legal shareholders have agreed not to enter into any transaction that would substantially affect the assets, rights, obligations or operations of the PRC Domestic Entity without prior written consent from the WOFEs. In addition, the PRC Domestic Entities will appoint or remove their directors and executive officers based on instruction from the WOFEs. The agreements can be extended indefinitely at the sole discretion of the WOFEs.

Equity Pledge Agreements, Shareholders Proxy Agreements and Exclusive Call Option Agreements

In order to secure the payment obligations of each PRC Domestic Entity under the exclusive technical consultancy and service agreements, the legal shareholders have pledged their entire respective ownership interests in each Domestic PRC Entity to the WOFEs. The legal shareholders shall not transfer the pledged ownership interests without the prior written consent from the WOFEs. The WOFEs are entitled to dividends and funds obtained through conversion, auction or sale of the ownership interests that the legal shareholders pledged to the WOFEs. The agreements can be extended at the sole discretion of the WOFEs.

The legal shareholders irrevocably appoint the WOFEs to act as proxy for the legal shareholders to exercise their respective rights as shareholders of the PRC Domestic Entities to attend shareholders' meetings and cast votes. The agreements will remain valid until terminated upon written consent by the WOFEs, the PRC Domestic Entities and their legal shareholders or by their successors.

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

The legal shareholders granted the Company or any third party designated by the Company the exclusive right to acquire from the legal shareholders the whole or part of the respective equity interests in each PRC Domestic Entity at a price equivalent to the historical cost when permitted by applicable PRC laws and regulations. The legal shareholders shall not sell, transfer or dispose of the equity interests in the PRC Domestic Entities without the prior written consent of the Company or any third party designated by the Company. The proceeds from the exercise of the call option will be applied to repay the loans under the loan agreements. The Company does not have to make any additional payment to the legal shareholders. The PRC Domestic Entities will not distribute any dividend without the prior written consent from the WOFEs. The agreements can be extended indefinitely at the sole discretion of the Company.

Loan Agreements

The WOFEs provided loans to the legal shareholders to enable them to contribute the registered capital of the PRC Domestic Entities. Under the terms of the loan agreements, the legal shareholders will repay the loans by transferring their legal ownership in the PRC Domestic Entities to the WOFEs when permitted by applicable PRC laws and regulations. Any gains from the transfer shall be paid back to the WOFEs or any third party designated by the WOFEs. The legal shareholders shall repay the loan by means of transferring their respective equity interests in the PRC Domestic Entities to the WOFEs or any other person designated by the WOFEs.

Supplementary Agreements

In addition to the above contractual agreements, the Company, the WOFEs, the PRC Domestic Entities and their legal shareholders entered into supplementary agreements in March 2010 to memorialize certain terms previously agreed amongst the Company, the WOFEs, the PRC Domestic Entities and their legal shareholders. While these supplementary agreements were signed in 2010, the terms, intent and substance of all the agreements above remained unchanged. Pursuant to the supplementary agreements:

- the WOFEs have unilateral discretion in setting the technical service fees charged to the PRC Domestic Entities;
- the WOFEs are obligated to provide financial support to the PRC Domestic Entities in the event the PRC Domestic Entities incur losses;
- the annual budget of the PRC Domestic Entities should be assessed and approved by the WOFEs;
- the legal shareholders agree to remit any profits distributed from the PRC Domestic Entities to the Company upon request by the Company; and
- the PRC Domestic Entities are obligated to transfer their entire retained earnings, after deduction of PRC income tax, to the WOFEs in the form of a donation upon the WOFEs' request.

All of these provisions have been incorporated into the Contractual Agreements signed subsequent to March 2010.

Furthermore, the WOFEs and the PRC Domestic Entities entered into supplementary agreements in March 2013 to memorialize the following terms previously agreed between the WOFEs and the PRC Domestic Entities when the Exclusive Call Option Agreements were entered into:

- the legal shareholders agreed to remit the purchase consideration received from the exercise of the exclusive right to acquire the equity interests in the PRC Domestic Entities to the WOFEs or any entity designated by the WOFEs.

This provision has been incorporated into the Contractual Agreements signed subsequent to March 2013.

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

Through the design of the aforementioned agreements, the legal shareholders of the PRC Domestic Entities effectively assigned their full voting rights to the WOFEs, which give the WOFEs the power to direct the activities that most significantly impact the PRC Domestic Entities’ economic performance. The WOFEs obtained the ability to approve decisions made by the PRC Domestic Entities and the ability to acquire the equity interests in the PRC Domestic Entities when permitted by PRC law. The WOFEs are obligated to absorb a majority of the expected losses from the PRC Domestic Entities’ activities through providing unlimited financial support to the PRC Domestic Entities and are entitled to receive a majority of profits from the PRC Domestic Entities through the exclusive technical consultancy and service fees. As a result, the Company, through the WOFEs, is the primary beneficiary of the PRC Domestic Entities. Accordingly, in accordance with SEC Regulation S-X Article 3A-02 and ASC 810, the Company, through the WOFEs, has consolidated the operating results of the PRC Domestic Entities in the Company’s financial statements. Business taxes (“BT”) and value added taxes (“VAT”) relating to service fees charged by the WOFEs are recorded as cost of services.

The carrying amounts of the assets, liabilities, the results of operations and cash flows of the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries included in the Company’s consolidated balance sheets, consolidated statements of comprehensive income (loss) and consolidated statements of cash flows were as follows:

	As of December 31,	
	2017	2018
	US\$	US\$
ASSETS		
Current assets:		
Cash and cash equivalents	50,948	34,004
Restricted cash, current	223,002	214,876
Short-term investments	19,838	5,586
Accounts receivable (net of allowance of US\$13,691 and US\$12,913 as of December 31, 2017 and 2018, respectively)	22,119	25,910
Funds receivable	2,824	5,124
Prepayments and other current assets	16,856	25,384
Commitment deposits (net of allowance of US\$206 and nil as of December 31, 2017 and 2018, respectively)	5,876	191
Total current assets	341,463	311,075
Non-current assets:		
Property and equipment, net	275,601	358,432
Land use rights	34,951	32,428
Deferred tax assets, non-current	2	2
Deposits for non-current assets	41,428	95
Long-term investments	433,894	291,808
Other non-current assets	204	1,815
Total non-current assets	786,080	684,580
Total assets	1,127,543	995,655

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

	As of December 31,	
	2017	2018
	US\$	US\$
Current liabilities:		
Short-term loans	59,820	76,267
Deferred revenue	27,095	32,816
Accrued expenses and other liabilities	54,516	36,266
Customer’s refundable fees	10,986	3,274
Income tax payable	1,325	1,982
Intercompany payable to the non PRC Domestic Entities	431,770	445,556
Total current liabilities	585,512	596,161
Non-current liabilities:		
Long-term loans	55,958	44,891
Deferred tax liabilities	51,227	10,488
Other non-current liabilities	37,936	51,144
Total non-current liabilities	145,121	106,523
Total liabilities	730,633	702,684
Net assets	396,910	292,971

Intercompany payable to the non PRC Domestic Entities represents the amounts due to the WOFE and its wholly-owned subsidiaries, which are eliminated upon consolidation.

	For the Years Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Total revenues	287,475	91,087	89,111
Net loss	(24,135)	(6,484)	(79,229)

	For the Years Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Net cash generated from (used in) operating activities	(790)	122,327	26,241
Net cash used in investing activities	(3,763)	(99,946)	(9,851)
Net cash (used in) generated from financing activities	90,828	8,565	(25,220)

The PRC Domestic Entities had no intercompany amounts payable to the WOFEs for accrued service fees as of December 31, 2017 and 2018. The WOFEs did not charge the PRC Domestic Entities, technology consultancy service fees during the years ended December 31, 2016, 2017 and 2018.

As of December 31, 2018, except for the current restricted cash of US\$214,876, accounts receivable of US\$2,988 and property and equipment of US\$324,564 pledged to secure bank borrowings (Note 12), there was no other pledge or collateralization of the assets of the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries.

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

Creditors of the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries have no recourse to the general credit of their respective primary beneficiary. The amounts of liabilities of the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries have been parenthetically presented on the consolidated balance sheets. The PRC Domestic Entities held certain registered copyrights, trademarks and registered domain names, which are used for the Company’s business operations. All of these revenue-producing assets were internally developed, for which the Company did not incur significant development costs. There were no other assets of the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries that can only be used to settle their own obligations except for restricted cash of US\$214,876, accounts receivable of US\$2,988 and property and equipment of US\$324,564 pledged to secure bank borrowings. The WOFEs have not provided any financial support that they were not previously contractually required to provide to the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries during the years presented.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with the United States generally accepted accounting principles (“U.S. GAAP”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reporting periods. Significant estimates and assumptions reflected in the Company’s financial statements include, but are not limited to, estimated stand-alone selling prices of performance obligations, customer refunds, allowance for doubtful accounts, allowance for credit losses, useful lives of property and equipment, realization of deferred tax assets, impairment of long-lived assets, share-based compensation expense, uncertain income tax positions, fair value of the embedded derivatives in the convertible senior notes and fair value of long term investments. Changes in facts and circumstances may result in revised estimates. Actual results could materially differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the financial statements of the Company, its non-PRC subsidiaries, WOFEs, the PRC Domestic Entities in which the Company, through its WOFEs, has a controlling financial interest, and the PRC Domestic Entities’ subsidiaries. The Company has determined that it has a controlling financial interest, even though it does not hold a majority of the voting equity interest in an entity, because the Company has the ability to control the PRC Domestic Entities through the WOFEs’ rights to all the residual benefits of the PRC Domestic Entities and the WOFEs’ obligation to fund losses of the PRC Domestic Entities. As a result, the PRC Domestic Entities are included in the consolidated financial statements. All significant intercompany balances and transactions between the Company, its subsidiaries, the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries have been eliminated in consolidation.

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign Currency Translation and Transactions

The functional currency of the Company and its non-PRC subsidiaries is the United States dollars (“US\$”). The WOFEs, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries determine their functional currency to be the Chinese Renminbi (“RMB”) based on the criteria of ASC 830, *Foreign Currency Matters*. The Company uses US\$ as its reporting currency. The Company uses the monthly average exchange rate for the year and the exchange rate at the balance sheet date to translate the operating results and financial position, respectively. Translation differences are recorded in accumulated other comprehensive income (loss), a component of shareholders’ equity.

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are remeasured at the exchange rates prevailing at the balance sheet date. Exchange gains and losses are included in the consolidated statements of comprehensive income (loss).

The assets and liabilities of the Company’s PRC subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries are translated into US\$ at the exchange rates prevailing at the balance sheet date. The consolidated statements of comprehensive income (loss) of these entities are translated into US\$ at the weighted average exchange rates for the year. The resulting translation gains (losses) are recorded in accumulated other comprehensive income (loss) as a component of shareholders’ equity.

For the purpose of the consolidated statements of cash flows, cash flows of the Company’s PRC subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries are translated into US\$ at the exchange rates prevailing on the dates of the cash flows. Frequently recurring cash flows of these entities which arise throughout the year are translated into US\$ at the weighted average exchange rates for the year.

Transaction gains and losses are recognized in the consolidated statements of operations. Gains and losses on intra-entity foreign currency transactions that are of a long-term-investment nature (that is, settlement is not planned or anticipated in the foreseeable future) between consolidated entities are not recognized in earnings, but are included as a component of other comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalents represent cash on hand and demand deposits placed with banks or other financial institutions with original maturity of 90 days or less at the date of purchase which are unrestricted as to withdrawal and use. In addition, all highly liquid investments with original stated maturity of 90 days or less are classified as cash equivalents.

Restricted Cash

Restricted cash represents cash pledged to financial institutions as collateral for the Company’s bank loans. The restricted cash is not available for withdrawal or the Company’s general use until after the corresponding bank loans are repaid.

The Accounting Standards Update (“ASU”) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, required that restricted cash should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the consolidated statements of cash flows. The guidance was effective as of January 1, 2018 and the Company applied it using a retrospective transition method to each period presented. The adoption of this guidance changed the presentation and classification of restricted cash in the Company’s consolidated statements of cash flows. For the years ended December 31, 2016 and 2017, substantially all of the changes in restricted cash of US\$107,905 and US\$51,900, respectively, were previously reported as part of financing activities in the consolidated statements of cash flows.

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

Periods prior to January 1, 2018

All highly liquid investments with original maturities of greater than 90 days but less than 365 days are classified as short-term investments which are stated at their approximate fair value.

The Company accounts for its investments in accordance with ASC 320, *Investments-Debt and Equity Securities* (“ASC 320”). The Company classifies the investments in debt and equity securities as “held-to-maturity”, “trading” or “available-for-sale”, whose classification determines the respective accounting methods stipulated by ASC 320. Dividend and interest income, including amortization of the premium and discount arising at acquisition, for all categories of investments in securities are included in earnings. Any realized gains or losses on the sale of the investments are determined on a specific identification method, and such gains and losses are reflected in the consolidated statements of comprehensive income (loss).

The securities that the Company has positive intent and ability to hold to maturity are classified as held-to-maturity securities and stated at amortized cost. For individual securities classified as held-to-maturity securities, the Company evaluates whether a decline in fair value below the amortized cost basis is other-than-temporary in accordance with the Company’s policy and ASC 320. If the Company concludes that it does not intend or is not required to sell an impaired debt security before the recovery of its amortized cost basis, the impairment is considered temporary and the held-to-maturity securities continue to be recognized at the amortized costs. When the Company intends to sell an impaired debt security or it is more likely than not that it will be required to sell prior to recovery of its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. In these instances, the other-than-temporary impairment loss is recognized in the consolidated statements of comprehensive income (loss) equal to the entire excess of the debt security’s amortized cost basis over its fair value at the balance sheet date of the reporting period for which the assessment is made.

The securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Unrealized holding gains and losses for trading securities are included in earnings.

Investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income (loss) in shareholders’ equity. Realized gains or losses are charged to earnings during the period in which the gain or loss is realized. An impairment loss on the available-for-sale securities are recognized in the consolidated statements of comprehensive income (loss) when the decline in value is determined to be other-than-temporary. No impairment loss was recognized for the year ended December 31, 2017.

In accordance with ASC 325 *Investments-Other*, for investments in an investee over which the Company does not have significant influence and which do not have readily determinable fair value, the Company carries the investment at cost and only adjusted for other-than-temporary declines in fair value and distributions of earnings that exceed the Company’s share of earnings since its investment. Management regularly evaluates the impairment of the cost method investments based on performance and financial position of the investee as well as other evidence of market value. Such evaluation included, but is not limited to, reviewing the investee’s cash position, recent financing, projected and historical financial performance, cash flow forecasts and financing needs. An impairment loss is recognized in earnings equal to the excess of the investment’s cost over its fair value at the balance sheet date of the reporting period for which the assessment is made. The fair value would then become the new cost basis of investment. An impairment loss of US\$2,232 and US\$2,768 was recognized for the years ended December 31, 2016 and 2017, respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Period commencing January 1, 2018

The Company adopted ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Liabilities* from January 1, 2018, which requires all equity securities with readily determinable fair values, other than those accounted for under equity method of accounting or those that result in consolidation of the investee, to be measured at fair value with changes in the fair value recognized through net income. Change in fair value of available-for-sale equity securities are reported in earnings. Upon the adoption of ASU 2016-01, accumulated unrealized gain, net of income taxes, of US\$163,785 was reclassified from accumulated other comprehensive income to retained earnings as of January 1, 2018.

(1) Debt Securities

The Company accounts for its debt investments in accordance with ASC 320, *Investments-Debt Securities* (“ASC 320”). The Company classifies the debt investments as “held-to-maturity”, “trading” or “available-for-sale”, whose classification determines the respective accounting methods stipulated by ASC 320. Interest income, including amortization of the premium and discount arising at acquisition, for all categories of debt investments are included in earnings. Any realized gains or losses on the sale of the debt investments are determined on a specific identification method, and such gains and losses are reflected in the consolidated statements of comprehensive income (loss).

The debt securities that the Company has positive intent and ability to hold to maturity are classified as held-to-maturity securities and stated at amortized cost. For individual securities classified as held-to-maturity securities, the Company evaluates whether a decline in fair value below the amortized cost basis is other-than-temporary in accordance with the Company’s policy and ASC 320. If the Company concludes that it does not intend or is not required to sell an impaired debt security before the recovery of its amortized cost basis, the impairment is considered temporary and the held-to-maturity securities continue to be recognized at the amortized costs. When the Company intends to sell an impaired debt security or it is more likely than not that it will be required to sell prior to recovery of its amortized cost basis, an other-than-temporary impairment is deemed to have occurred. In these instances, the other-than-temporary impairment loss is recognized in the consolidated statements of comprehensive income (loss) equal to the entire excess of the debt security’s amortized cost basis over its fair value at the balance sheet date of the reporting period for which the assessment is made.

The debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading securities. Unrealized holding gains and losses for trading securities are included in earnings. All highly liquid investments with original maturities of greater than 90 days but less than 365 days are classified as short-term investments which are stated at their approximate fair value.

Investments not classified as trading or as held-to-maturity are classified as available-for-sale securities. Available-for-sale debt securities are reported at fair value, with unrealized gains and losses recorded in accumulated other comprehensive income (loss) in shareholders’ equity. Realized gains or losses are charged to earnings during the period in which the gain or loss is realized. An impairment loss on the available-for-sale securities are recognized in the consolidated statements of comprehensive income (loss) when the decline in value is determined to be other-than-temporary. No impairment loss was recognized for the year ended December 31, 2018.

(2) Equity Securities

All equity investments with readily determinable fair values, other than those accounted for under equity method of accounting or those that result in consolidation of the investee, are measured at fair value with changes in the fair value recognized through net income.

Equity investments without readily determinable fair values which do not qualify for net asset value per share (or its equivalent) practical expedient and over which the Company does not have the ability to exercise significant influence through the investments in common stock, are accounted for under the measurement alternative. The carrying values of equity investments without readily determinable fair values are measured at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer. All gains and losses on these investments, realized and unrealized, are recognized in the consolidated statements of comprehensive income (loss). The Company makes assessment of whether an investment is impaired at each reporting date, and recognizes an impairment loss equal to the difference between the carrying value and fair value in earnings. No impairment loss was recognized for the year ended December 31, 2018. As a result of adoption of ASU 2016-01, the Company is not required to disclose the fair value for equity investments without readily determinable fair value.

(3) Equity method investments

In accordance with ASC 323 *Investments-Equity Method and Joint Ventures*, the Company applies the equity method of accounting to equity investments in common stock over which it has significant influence but does not own a majority equity interests or otherwise control. Under the equity method, the Company initially records its investment in the common stock of an investee at cost. The excess of the carrying amount of the investment over the underlying equity in net assets of the equity investee represents goodwill and intangible assets acquired. The Company adjusts the carrying amount of an investment for its share of the earnings or losses of the investee after the date of investment and reports the recognized earnings or losses in the consolidated statements of comprehensive income (loss). When the Company's share of losses in the equity investee equals or exceeds its interest in the equity investee, the Company does not recognize further losses, unless the Company has incurred obligations or made payments or guarantees on behalf of the equity investee, or the Company holds other investments in the equity investee.

The equity method investments are subject to periodic testing for other-than-temporary impairment, by considering factors including, but not limited to, stock prices of public companies in which the Company has an equity investment, current economic and market conditions, operating performance of the investees such as current earnings trends and undiscounted cash flows, and other company-specific information, such as recent financing rounds. Changes in these estimates and assumptions could affect the calculation of the fair value of the investments and the determination of whether any identified impairment is other-than-temporary. If any impairment is considered other-than-temporary, the Company will write down the asset to its fair value and take the corresponding charge to the consolidated statements of comprehensive income (loss). No impairment was recorded for equity method investments for the year ended December 31 2018.

Funds Receivable

Funds receivable represents cash collection through third-party payment service providers. The Company carefully considers and monitors the credit worthiness of the third-party payment service providers used. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. Funds receivable balances are written off after all collection efforts have been exhausted.

Commitment deposits

Commitment deposits represent cash paid to real estate developers for the right to provide sales agency services for their real estate projects. The commitment deposits are refundable at specified dates and are classified accordingly.

In accordance with relevant contract terms, in the event of default, the Company is normally entitled to collateral or other forms of security from the real estate developers, which it can then resell to recover its original commitment deposit. The Company's recovery of its original commitment deposit is dependent on market conditions.

The Company considers many factors in assessing the collectability of commitment deposits, such as the age of the amounts due, the market value of collaterals, as well as the real estate developer's payment history and credit-worthiness. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. Commitment deposits are written off after all collection efforts have been exhausted.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans receivable

Loans receivable consists primarily of secured loans in the form of mortgage loans and unsecured loans to borrowers that have passed the Company’s credit assessment. Such amounts are recorded at the principal amount less impairment as of the balance sheet date. The loan periods extended by the Company to the borrowers generally range from 1 to 36 months.

An allowance for credit loss is recorded when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the loan agreement. The Company assesses the allowance for credit loss related to loans receivable on a quarterly basis, either on an individual or collective basis. The Company considers various factors in evaluating loans receivable for possible impairment on an individual basis. These factors include the amount of the loan, historical experience, value of collateral, if any, credit quality and age of the receivables balances. Impairment is measured on an individual loan basis using either the present value of expected future cash flows discounted at the loan’s effective interest rate or the fair value of the collateral if the loan is secured. The Company evaluates the remainder of its loans receivables portfolio for impairment on a collective basis in accordance with ASC 450-20, *Loss Contingencies* and records an allowance for credit loss at the portfolio segment level.

Loan principal and interest receivables are charged-off when the loan principal and interest receivables are deemed to be uncollectible. In general, loan principal and interest receivables are identified as uncollectible if any of the following conditions are met : 1) the borrower is dead, missing or incapacitate and there is no legal heir and presentee or the legal heir and presentee refuse to abide the contract; 2) identification of fraud, and the fraud is officially reported to and filed with relevant law enforcement departments; 3) outstanding amount following 180 days past due after all collection efforts based on management’s judgment.

Property and Equipment, Net

Property and equipment are stated at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, as follows:

<u>Category</u>	<u>Estimated Useful Life</u>
Office equipment	3 - 5 years
Motor vehicles	5 - 10 years
Leasehold improvement	shorter of lease term or economic lives
Buildings	12 -45 years

Land is stated at cost and is not depreciated.

Construction in progress represents buildings and related premises under construction, which is stated at actual construction cost less any impairment loss. Construction in progress is transferred to the respective category of property and equipment when completed and ready for its intended use.

Interest associated with major development and construction projects is capitalized and included in the cost of the project. The capitalization of interest cease when the project is substantially completed or the development activity is suspended for more than a brief period. The amount to be capitalized is determined by applying the capitalization rate to the average amount of accumulated qualifying capital expenditures for assets under construction during the year.

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extend the useful lives of property and equipment are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation from the asset and accumulated depreciation accounts, respectively, with any resulting gain or loss reflected in the consolidated statements of comprehensive income (loss).

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Land Use Rights

Land use rights are recorded at cost less accumulated amortization. Amortization is provided on a straight-line basis over the estimated terms of the land use rights which are 40-50 years.

Impairment of Long-Lived Assets

The Company evaluates its long-lived assets or asset group with finite lives for impairment whenever events or changes in circumstances, such as a significant adverse change to market conditions that will impact the future use of the assets, indicate that the carrying amount of an asset group may not be fully recoverable. When these events occur, the Company evaluates the impairment by comparing the carrying amount of the assets to future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Company recognizes an impairment loss based on the excess of the carrying amount of the asset group over its fair value, but not below the fair values of the individual long-lived assets within the asset group. No impairment charge was recognized for any of the years presented. Asset groups to be disposed of would be reported at the lower of the carrying amount or fair value less costs to sell, and no longer depreciated. The assets and liabilities of a disposal group classified as held for sale would be presented separately in the appropriate asset and liability sections of the consolidated balance sheets.

Fair Value of Financial Instruments

Financial instruments of the Company primarily include cash and cash equivalents, restricted cash, accounts receivable, commitment deposits, funds receivable, short-term and long-term investments, loans receivable, short-term and long-term loans, convertible senior notes (Note 15) and related derivative liabilities. As of December 31, 2017 and 2018, the carrying values of these financial instruments, other than long-term investments, long-term loans, convertible senior notes and related derivative liabilities, approximate their fair values due to the short-term maturity of these instruments. The fair value method investments and trading securities were recorded at fair value based on the quoted price in active markets as of December 31, 2017 and 2018. The carrying values of the long-term loans approximate their fair values, as the loans bear interest at rates determined based on the prevailing interest rates in the market. The convertible senior notes were recognized based on residual proceeds after allocation to the derivative liabilities at fair market value. The estimated fair values of the convertible senior notes based on a market approach were approximately US\$301,036 and US\$199,172 as of December 31, 2017 and 2018, respectively, and represents a Level 3 valuation in accordance with ASC 820, *Fair Value Measurements and Disclosures* (“ASC 820”). When determining the estimated fair value of the convertible senior notes, the Company used a commonly accepted valuation methodology and market-based risk measurements that are indirectly observable, such as credit risk. The fair value of the bifurcated derivative liabilities was insignificant for the years ended December 31, 2016, 2017 and 2018. Prior to January 1, 2018, the Company determined that it was not practicable to estimate the fair value of its cost method investments as of December 31, 2017 and measures the cost method investment at fair value on a nonrecurring basis only if an impairment charge were to be recognized.

The Company applies ASC 820 in measuring fair value. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1 - Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 - Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets measured at fair value on a recurring basis as of December 31, 2017 and 2018 are summarized below.

	<u>Fair Value Measurement as of December 31, 2017</u>			Fair Value at December 31, 2017 US\$
	Quoted Prices in Active Markets for Identical Assets (Level 1) US\$	Significant Other Observable Inputs (Level 2) US\$	Unobservable Inputs (Level 3) US\$	
Available-for-sale securities	52,283	318,065	-	370,348
Trading securities	15,833	-	-	15,833

	<u>Fair Value Measurement as of December 31, 2018</u>			Fair Value at December 31, 2018 US\$
	Quoted Prices in Active Markets for Identical Assets (Level 1) US\$	Significant Other Observable Inputs (Level 2) US\$	Unobservable Inputs (Level 3) US\$	
Equity investments	181,483	-	-	181,483
Trading securities	1,773	-	-	1,773

Revenue Recognition

Revenues are derived from marketing services, listing services, E-commerce services, value-added services and financial services.

Periods prior to January 1, 2018

Revenues for each type of service sales were recognized only when the following criteria are met: (a) persuasive evidence of an arrangement exists; (b) price is fixed or determinable; (c) delivery of services has occurred; and (d) collectability is reasonably assured.

Listing Services

Listing services revenues consist of revenues derived from both basic listing services and special listing services.

The Company’s basic and special listing services are provided to agents, brokers, property developers, property owners, property managers and others seeking to sell or rent new or secondary residential and commercial properties.

(1) Basic listing services

Basic listing services entitle customers to post and make changes to information for properties, home furnishings and other related products and services in a particular area on the website and mobile apps for a specified period of time, which typically range from 1 to 36 months, in exchange for a fixed fee. Written contracts, containing all significant terms, signed by the Company and its customers provide persuasive evidence of the arrangement. The amount of fee to be paid is not subject to change once the contract has been signed. The contracts generally do not contain any specific performance target or refund guarantee. Delivery of services occurs by making access to the websites and mobile apps available for posting by the customers over the specified listing period. The Company performs credit assessments of its customers prior to signing the written contract to ensure collectability is reasonably assured. In accordance with ASC 605, revenues were recognized ratably over the duration of the service period as the basic listing services were being delivered.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Special listing services

Special listing services consist of promotional activities associated with themed marketing campaigns, each generally over a one year duration and designed to recognize the leading companies within a specific real estate sector. For each special listing campaign, targeted leading companies participate in a collective marketing and promotional program for a specified fee, consisting of various online and offline promotional activities tied to the specialized theme of the campaign. Each revenue arrangement may include one or multiple special listing campaigns.

The Company evaluated its special listing revenue arrangements in accordance with ASC 605-25, *Revenue recognition—Multiple-element arrangements*. The promotional services within a special listing program were accounted for as one combined unit of accounting, as each promotional deliverable did not have standalone value to the customer since all the deliverables were tied to the specialized theme of the campaign, and were not sold separately. For contractual arrangements that contain multiple special listing campaigns, the program for each campaign was accounted for as a separate unit of accounting. ASC 605-25 required revenues to be allocated to each unit of accounting on a relative fair value basis based on a selling price hierarchy. The selling price for a deliverable was based on vendor-specific objective evidence (“VSOE”) if available, third party evidence (“TPE”) if VSOE was not available, or best estimate of selling price (“BESP”) if neither VSOE nor TPE was available. The Company allocated total arrangement consideration to each unit of accounting based on its relative selling price, which was determined based on its BESP for that deliverable since neither VSOE nor TPE exist. In determining the BESP for each deliverable, the Company considered its overall pricing model and objectives when sold separately, as well as market or competitive conditions that may impact the price at which the Company would transact if the deliverable were sold regularly on a standalone basis. The Company monitored the conditions that affect its determination of selling price for each deliverable and reassess such estimates periodically. In accordance with ASC 250, “Accounting Changes and Error Corrections,” changes in the determination of the BESP were considered a change in accounting estimate and were accounted for on a prospective basis. The effect of changes in the BESP on the allocation of arrangement consideration was insignificant for all periods presented.

Written contracts, containing all significant terms, signed by the Company and its customers provide persuasive evidence of the arrangement. The amount of fee to be paid is not subject to change once the contract has been signed. The contracts do not contain any specific performance, cancellation, termination or refund provisions. The Company performs credit assessments of its customers prior to signing the written contract to ensure collectability is reasonably assured. In accordance with ASC 605, “Revenue Recognition,” revenues were recognized ratably over the duration of the campaign period as the special listing services were being delivered.

Marketing Services

The Company offers marketing services on the Company’s websites and mobile apps, primarily through banner advertisements, floating links, logos and other media insertions. These marketing services are offered to real estate developers and to a lesser extent provider of products and services for home decoration and improvement. Marketing services allow customers to place advertisements on particular areas of the Company’s websites and mobile apps, in particular formats and over particular periods of time. Written contracts, containing all significant terms, signed by the Company and its customers provide persuasive evidence of the arrangement. The contracts generally do not contain any specific performance target or refund guarantee.

The service fee is negotiated between the customer and the Company but once a price is agreed to and the written contract is signed by both parties, the price is fixed and not subject to change. The service fee is due and payable in installments over the service period. The marketing services typically last from several days to one year. Delivery of the service occurs upon displaying the agreed forms of services on the Company’s websites and mobile apps over the specified service period. The Company performs credit assessments on its customers prior to signing the written contract to ensure collectability is reasonably assured. Revenues were recognized ratably over the contract period, as there was persuasive evidence of an arrangement, the fee is fixed or determinable and collection was reasonably assured, as prescribed by ASC 605.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Beginning in 2015, the Group began to enter into marketing service agreements with certain real estate developers, where the Company may elect to collect the contractually stated marketing service fee in the form of (i) a designated real estate property, if transferred to the Company or sold to a third-party buyer designated by the Company prior to a pre-determined date, which typically falls at the end of the marketing service period, or (ii) cash, if the Company elects not to take the designated real estate property as settlement consideration by the pre-determined date. The Company determines the contractually stated marketing service fee under the new payment arrangements with reference to the cash price of the comparable services offered by the Company under the sole cash payment arrangements. The designated real estate property is typically a specifically identified residential unit within a residential community developed by the real estate developer and its fair value is generally commensurate with the contractually stated marketing service fee as of the date of the marketing service agreement. If the Company elects settlement through the sale of the designated real estate property to a third-party buyer, the Company is entitled to retain the entire sales proceeds. In this scenario, the Company has the sole discretion in setting the sales price of the designated real estate property to the third-party buyer but has no incentive to permit such real estate property to be sold at a price lower than the contractually stated marketing service fee, which serves as a de-facto minimal selling price, because the Company would instead accept the cash payment of the stated marketing service fee. Prior to the pre-determined date, the real estate developer is obligated not to sell, encumber or otherwise dispose of the designated real estate property without the consent of the Company.

Under these arrangements, the Company initially recognizes the marketing service revenue up to the amount of the contractually stated marketing service fee. Any excess is contingent upon the sale of the designated real estate properties and is accounted for as contingent marketing service revenues, if and when the sale is consummated and all other revenue recognition criteria are met. For the years ended December 31, 2016 and 2017, the Company recognized marketing service revenue of US\$9,730 and nil under such arrangement. Since 2016, the Company ceased entering into these arrangements with real estate developers and collected all the marketing service fees in the form of (i) cash, or (ii) a designated real estate property transferred to the Company, from real estate developers.

Instead, the Company began to provide marketing services whereby the sole consideration for the services is in the form of a specifically identified unit of a development. The Company accounts for these arrangements pursuant to ASC 845, *Nonmonetary transactions*, and have determined that the fair value of consideration received, i.e. the specifically identified real estate property, is more readily determinable than the marketing services surrendered. Accordingly, the fair value of property is used for measurement and revenues are recognized ratably over the service period. Revenue recognized under such arrangement was US\$728 and US\$1,361 for the years ended December 31, 2016 and 2017.

For certain arrangements, the Company provides marketing services that contain multiple deliverables, that is, different forms of services to be delivered over different periods of time.

The Company accounted for each deliverable in the arrangement as separate unit of accounting. Revenues were allocated to each unit of accounting on a relative fair value basis based on a selling price hierarchy and was recognized ratably over the duration of the service period. The selling price for a deliverable was based on its vendor-specific objective evidence (“VSOE”) if available, third party evidence (“TPE”) if VSOE is not available, or BESP if neither VSOE nor TPE is available. The total arrangement consideration was allocated to each unit of accounting based on its relative selling price which is determined based on the Company’s BESP for that deliverable because neither VSOE nor TPE exist. In determining its BESP for each deliverable, the Company considered its overall pricing model and objectives, as well as market or competitive conditions that may impact the price at which the Company would transact if the deliverable were sold regularly on a standalone basis. The Company monitored the conditions that affect its determination of selling price for each deliverable and reassesses such estimates periodically

E-commerce service

E-commerce service revenues consist of revenues derived from:

(1) Fang membership services

The Company enters into arrangements with real-estate developers, pursuant to which the Company charges its customers RMB5,000 to RMB20,000 in order for them to purchase specified properties from the real estate developers at a discount significantly greater than the face value of the fees charged by the Company. The discount is either a fixed amount off or a fixed percentage to the price of the specified property. The fees paid by the customers to the Company are refundable before a purchase of the specified properties at a discount is made by the customers or if after the purchase, only if the customers can fulfil certain requirements under the refund policy. The Company chose to analogize to rights of return guidance in ASC 605-15 when accounting for refundable fees as reliable estimates of refunds can be made based on company-specific historical evidence. Revenues were recognized by the Company when cash consideration of the fees was received and the discount has been applied by the customers to pay for the purchase price of the specified properties, net of estimated refunds. Cash received in advance of the purchase of specified properties and provision for refunds were recorded as “customers’ refundable fees” (Note 14). The provision of refunds was insignificant for the years ended December 31, 2016 and 2017.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additionally, the Company, real-estate developers and marketing agencies entered into tri-party cooperation arrangements for certain Fang membership services. When customers use their Fang membership cards to purchase specified properties in selected advertisements published by the marketing agents, a portion of the proceeds from the Fang membership services is remitted to the marketing agents. The Company recognized revenues from this type of Fang membership services on a net basis, representing the portion of proceeds received from customers that is ultimately retained by the Company as it is an agent in the arrangement. Commencing in 2014, the Company also entered into cooperation arrangements directly with real-estate developers for Fang membership services. The Company either engages third-party real estate agents or places advertisements with marketing agents to promote the real-estate projects. The Company recognized revenues from this type of Fang membership services on a gross basis, representing the proceeds received from the real-estate developers, as the Company is the primary obligor in the arrangement. Payments to third-party real estate agents are recorded as cost of sales, while payments to marketing agents are recorded as selling expenses. The portion to be remitted to third-party real estate agents and marketing agents was recorded as amounts payable to sales and marketing agents in “accrued expenses and other liabilities” on the consolidated balance sheets (Note 13).

(2) Direct sales services

The Company promotes property developments of its developer clients primarily through its websites and mobile applications (“mobile apps”). Potential buyers can register with the Company free of charge if they are interested in any real estate properties covered by its direct sales services. After the registration, the Company provides the buyers with additional information about the properties and related services, such as tours to visit the property developments and other services to facilitate property purchases. By using the direct sales services, individual buyers can enjoy discounted prices for properties that the Company offers from its developer clients. The Company charges its developer clients a fee for each property it sold through its direct sales services at a predetermined percentage of the value of the individual transaction. Thereafter, the real estate developers can request for refund only if they can fulfil certain requirements under the refund policy. The Company chose to analogize to rights of return guidance in ASC 605-15 when accounting for refundable fees as reliable estimates of refunds can be made based on company-specific historical evidence. Revenues were recognized by the Company based on total of successful purchase transactions made, net of estimated refunds. The provision of refunds was insignificant for the years ended December 31, 2016 and 2017.

(3) Sublease services

Beginning in 2015, the Company began to provide sublease service through its websites. The Company identifies suitable properties and initially enters into lease agreements with the property owners. The lease agreements allow the Company to sublease the properties. Regardless whether the leased property is subsequently sub-leased by the Company, the lease agreement between the Company and the property owner remains in effect, including the Company’s obligation to make fixed rental payments over the non-cancellable lease term. The property owner is not a party to, and therefore not entitled to, any rights or obligations under the sublease agreement. Sublease rental income was recorded as revenue from subleasing services and recognized on a gross basis as the Company is the principal to the sublease arrangements. The sublease income was recognized on a straight-line basis over the lease term. Sublease rental income for the years ended December 31, 2016 and 2017 was US\$31,929 and US\$15,085, respectively.

(4) Real estate online brokerage services

Commencing in 2015, the Company provided brokerage services for sellers and buyers of secondary properties. Brokerage services may include property listing services, advisory services, transaction negotiation services and administration services. In addition to secondary property sales, the Company also assists property owners and potential tenants with leasing transactions. Commission revenues derived from brokerage services is recognized upon the execution, fulfillment of all performance obligations specified on the tri-party transaction agreement that is entered into between the seller, buyer and the Company in its capacity as broker, and cash receipt.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(5) Online decoration services

Beginning in 2015, the Company launched online decoration services, which includes interior design, remodeling, renovation, furnishing and other home improvement services. The Company generally charges the customers a fixed fee. The Company recognized revenues based on the percentage-of-completion method and measures progress using input measures, i.e., cost-to-cost, in accordance with ASC 605-35, *Revenue Recognition Construction-Type and Production-Type Contracts*. Estimated losses, if any, were recognized during the period in which the loss becomes probable and reasonably estimable.

Financial Services

Financial services are provided through the Company’s online financial platform www.fangtx.com and offline micro loan subsidiaries. The Company provides secured loans in the form of entrusted loans, mortgage loans and unsecured loans, primarily to borrowers that meet the Company’s credit assessment requirements. The Company ceased to provide entrusted loans since 2017. Revenues derived from loan interest income and annual service fees are recognized using the effective interest rate method. The Company does not accrue interest on loans receivable that are considered impaired or more than 90 days past due unless either the receivable has not been collected due to administrative reasons or the receivable is well secured and in the process of collection. Unsecured loans stop accruing interest when 60 days past due and are classified as impaired loan.

Value-added Services

The Company generates revenues from value-added services including subscription services for access to the Company’s information database and consulting services for customized and industry-related research reports and indices. Revenues derived from subscription services for access to the Company’s information database are recognized ratably over the subscription period. Revenues derived from consulting services for customized and industry-related research reports and indices were recognized when the relevant services were completed.

The Company’s business was subject to VAT, surcharges or cultural construction fees levied on advertising-related sales in the PRC. In accordance with ASC 605-45, *Revenue Recognition-Principal Agent Considerations*, all such VAT, surcharges and cultural construction fees were presented as cost of revenues in the consolidated statements of comprehensive income (loss). VAT, surcharges and cultural construction fees for the years ended December 31, 2016 and 2017 were US\$68,007 and US\$33,320, respectively.

All service fees received in advance of the provision of services were initially recorded as deferred revenues and subsequently recognized as revenues when the related services were performed by the Company.

Period commencing January 1, 2018

The Company adopted ASC 606, *Revenue from Contracts with Customers* (“ASC 606”), from January 1, 2018, applying the modified retrospective method to those contracts which were not completed as of January 1, 2018. Accordingly, revenues for the year ended December 31, 2018 were presented under ASC 606, while revenues for the years ended December 31, 2016 and 2017 were not adjusted and continued to be reported under ASC 605. Upon the adoption of the ASC 606, the Company recognized the cumulative effect of US\$2.3 million, net of income taxes, as an increase to the opening retained earnings as of January 1, 2018. The cumulative effect of adoption is primarily related to the following reasons:

- (1) Before the adoption of ASC 606, the Company assessed whether collectability is reasonably assured at the outset of the arrangement, and subsequently reassessed if there was a substantive change in facts and circumstances. If the collectability of all or a portion of the fee is not reasonably assured, all revenue recognition were deferred until payment was received (assuming all of the other revenue recognition criteria have been met). Upon the adoption of ASC 606, if it is not probable that the Company will collect substantially all of the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer, consideration received from the customer is initially recorded as a liability. The Company will recognize nonrefundable consideration received as revenue only when one of the following events has occurred:

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- the Company has no remaining obligations to transfer goods or services to the customer and all, or substantially all of the consideration has been received;
- the contract has been terminated; or
- the Company have transferred control of the goods or services to which the consideration that has been received relates, and has stopped transferring (and has no obligation under the contract to transfer) additional goods or services to the customer, if applicable.

As a result, the Company made an adjustment to decrease the opening balance of retained earnings as of January 1, 2018 by US\$ 0.5 million.

- (2) The Company’s policy before the adoption of ASC 606 was to require written signed contracts by both the Company and its customers as persuasive evidence of its revenue arrangements. In certain cases where services are being delivered prior to the receipt of the written signed contracts by both parties, revenue had been deferred until such time the written signed contracts are collected. Under the new revenue standard, revenues may be recognized prior to the receipt of the written signed contracts by both parties (assuming all other revenue recognition criteria are satisfied), as long as the revenue arrangements between the Company and its customers are legally enforceable. As a result, the Company made an adjustment to increase the opening balance of retained earnings as of January 1, 2018 by USD 2.8 million.

In addition, the Company’s revenues are presented net of value-added tax collected on behalf of governments starting from January 1, 2018. Prior to January 1, 2018, value-added tax collected on behalf of governments were presented as gross in both revenues and cost of revenues. The Company has elected to adopt the practical expedient for incremental costs to obtain a contract with a customer, i.e. sales commissions, with amortization periods of one year or less to be recorded in selling expenses when incurred. The Company has elected the practical expedient not to disclose the information about remaining performance obligations which are part of the contracts that have an original expected duration of one year or less.

The disclosure of the impact of adoption on the consolidated balance sheets was as follows:

	As of December 31, 2018 USD’000	Adjustments USD’000	Amounts without adoption of ASC 606 USD’000
Accounts receivable	60,950	379	61,329
Deferred revenue	(163,346)	(11,633)	(174,979)
Accrued expenses and other liabilities	(131,268)	9,701	(121,567)
Other non-current liabilities	(153,095)	555	(152,540)

The impact for adoption of ASC 606 to the Company’s consolidated statement of comprehensive income (loss) for the year ended December 31, 2018 is as follows:

	Year ended December 31, 2018 USD’000	Adjustments USD’000	Amounts without adoption of ASC 606 USD’000
E-commerce services	15,384	928	16,312
Marketing services	119,680	8,740	128,420
Listing services	113,534	5,717	119,251
Financial services	18,060	1,068	19,128
Value-added services	36,358	2,893	39,251
Total revenues	303,016	19,346	322,362
Cost of services	(58,570)	(18,117)	(76,687)
Operating income	39,803	1,229	41,032
Net loss	(114,909)	1,229	(113,680)
Loss per share for Class A and Class B ordinary shares			
Basic and Diluted	(1.29)	0.01	(1.28)

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Since the adoption of ASC 606 starting from January 1, 2018, the Company recognizes revenues upon the satisfaction of its performance obligation (upon transfer of control of promised goods or services to customers) in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services, excluding amounts collected on behalf of third parties (for example, value-added taxes). For each performance obligation satisfied over time, the Company recognizes revenue over time by measuring the progress toward complete satisfaction of that performance obligation. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Company’s contracts with customers often include promises to transfer multiple products and services. For these contracts, the Company accounts for individual performance obligations separately if they are capable of being distinct and distinct within the context of the contract. Determining whether products and services are considered distinct performance obligations may require significant judgment. Judgment is also required to determine the stand-alone selling price (“SSP”) for each distinct performance obligation. In instances where SSP is not directly observable, such as when the Company does not sell the product or service separately, the Company determines the SSP using information that may include market conditions and other observable inputs.

Marketing Services

The Company offers marketing services on the Company’s websites and mobile apps, primarily through banner advertisements, floating links, logos and other media insertions. These marketing services are offered to real estate developers and to a lesser extent provider of products and services for home decoration and improvement. Marketing services allow customers to place advertisements on particular areas of the Company’s websites and mobile apps, in particular formats and over particular periods of time. The marketing services typically last from several days to one year. The Company determines that the customer simultaneously receives and consumes benefits provided by the Company’s performance as the Company performs during the term of the contract. Revenues from marketing services are recognized ratably over the service period.

Listing Services

Listing services revenues consist of revenues derived from both basic listing services and special listing services.

(1) Basic listing services

Basic listing services entitle customers to post and make changes to information for properties, home furnishings and other related products and services in a particular area on the website and mobile apps for a specified period of time, which typically range from one to 12 months, in exchange for a fixed fee. Revenues are recognized on a straight line basis over the service period. The Company determines that its performance pattern to be straight line since the customer simultaneously receives and consumes the benefits provided by the Company as the Company performs during the term of the contract and the earning process is straight line.

(2) Special listing services

The Company offers special listing services, consisting of a number of online and offline themed events, including industry forums, periodic updates and online promotions to its customers to promote their brands. The special listing services contain a number of defined but not identical or similar activities to be performed over the period of one year. These activities are to fulfill the special listing service and are not separate promises in the contract. The Company determines that each day of the promotion service is distinct because the customer can benefit from each increment of service on its own (that is, it is capable of being distinct) and each increment of service is separately identifiable because no day of service significantly modifies or customizes another and no day of service significantly affects either the Company’s ability to fulfill another day of service or the benefit to the customer of another day of service. The Company determines that it is providing a series of distinct goods or services because the services provided each day are substantially the same, the customer simultaneously receives and consumes the benefits provided by the Company as the Company performs, and the same measure of progress would be used to measure the Company’s progress toward satisfying its promise to provide the promotion services. Revenues of special listing services are recognized on a straight-line basis over the period of one year.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Value-added Services

Value-added services consist of revenues derived from:

(1) Data services

The Company derives revenues by providing access and analytics tools, including appraisal and rating modules, and city maps, based on its proprietary database of commercial real estate information, typically through a fixed monthly fee for its data services. The Company determines that the customer simultaneously receives and consumes benefits provided by the Company’s performance as the Company performs during the term of the contract and the earning process is straight-line. Revenues from data services are recognized on a straight-line basis over the subscription period.

(2) Analytics services

The Company derives revenues by providing customized research reports to customers. There are no contractual customer acceptance provisions. Revenues from customized research reports are recognized when the Company delivers the reports to customers, which is when the control over the report has been transferred to customers.

The Company provides data monitoring and survey services over a period of time, generally less than one year. Revenues are recognized on a straight-line basis over the term of the agreement since the customer simultaneously receives and consumes benefits provided by the Company’s performance as the Company performs during the term of the contract and the earning process is straight-line.

Financial Services

The Company provides secured loans in the form of mortgage loans and unsecured loans, primarily to borrowers that meet the Company’s credit assessment requirements. Revenues derived from loan interest income and annual service fees are recognized using the effective interest rate method. The Company does not accrue interest on loans receivable that are considered impaired or more than 90 days past due unless either the receivable has not been collected due to administrative reasons or the receivable is well secured and in the process of collection. Unsecured loans stop accruing interest when 60 days past due and are classified as impaired loan.

E-Commerce Services

E-commerce service revenues consist of revenues derived from:

(1) Fang membership services

For the year ended December 31, 2018, the Company enters into arrangements with real-estate developers, pursuant to which the Company charges individual buyers who are interested to purchase specified properties from the real estate developers at a discount significantly greater than the face value of the fees charged by the Company. The discount is either a fixed amount or a fixed percentage to the price of the specified property. The fees paid by the individual buyers to the Company are refundable before a purchase of the specified properties is consummated by the individual buyers. Upon the successful purchase of the specified properties by the individual buyers, a portion of the proceeds from the Fang membership services is remitted to the real-estate developers or its designated marketing agents.

The Company determines real-estate developers as its customers and identifies one single performance obligation as the referral service. The Company determined the referral service to be satisfied at a point in time only when the purchase of the specified properties have been consummated by the individual buyers. Consideration payable to the real-estate developers or its designated marketing agents are accounted for as a reduction of the transaction price.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(2) Direct sales services

The Company promotes properties of its property developer customers primarily through its websites and mobile applications by providing the potential individual buyers with additional information about the properties and related services, such as tours to visit the properties and other services to facilitate property purchases. In return, the Company charges its property developer customers a fee for each property it sells at a predetermined percentage of the value of the individual transaction. The Company determines real-estate developers as its customers and identifies one single performance obligation as the referral service. The Company determined the referral service to be satisfied at a point in time only when the purchase of the specified properties have been consummated by the individual buyers. Revenues were recognized by the Company based on total of successful purchase transactions made.

(3) Sublease services

The Company identifies suitable properties and initially enters into lease agreements with the property owners. The lease agreements allow the Company to sublease the properties. Regardless whether the leased property is subsequently sub-leased by the Company, the lease agreement between the Company and the property owner remains in effect, including the Company’s obligation to make fixed rental payments over the non-cancellable lease term. The property owner is not a party to, and therefore not entitled to, any rights or obligations under the sublease agreement. Sublease rental income is recorded as revenue from subleasing services and recognized on a gross basis. The sublease income is recognized on a straight-line basis over the lease term.

Sublease rental income for the year ended December 31, 2018 was US\$6,402. Future minimum sublease rental incomes expected to be received under noncancellable sublease agreements as of December 31, 2018 are as follows:

	US\$
2019	1,125
2020	97
2021 and thereafter	-
	1,222

Contract Balances

The timing of revenue recognition, billings and cash collections result in accounts receivable and contract liabilities (i.e. deferred revenue). Accounts receivable are recognized in the period when the Company has provided services to its customers and when its right to consideration is unconditional. The Company reviews the accounts receivable on a periodic basis and makes general and specific allowances when there is doubt as to the collectability of individual balances.

The Company considers many factors in assessing the collectability of its receivables, such as the age of the amounts due, the customer’s payment history and credit-worthiness. An allowance for doubtful accounts is recorded in the period in which a loss is determined to be probable. Accounts receivable balances are written off after all collection efforts have been exhausted.

Amounts collected on accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows.

Deferred revenue (a contract liability) is recognized when the Company has an obligation to transfer goods or services to a customer for which the Company has received consideration from the customer, or for which an amount of consideration is due from the customer. The majority of the balance as of January 1, 2018 were recognized as revenue during the year ended December 31, 2018.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cost of Revenues

Cost of revenues consists of employee costs, tax surcharges, rental costs incurred in relation to sublease services, server and bandwidth leasing fees, payments to third-party real estate agents and other direct costs incurred in providing the related services. Prior to January 1, 2018, VAT was also included in cost of revenues. These costs are expensed when incurred.

Advertising Expenses

Advertising expenses are expensed when incurred and are included in selling expenses in the consolidated statements of comprehensive income (loss). For the years ended December 31, 2016, 2017 and 2018, the advertising expenses were US\$61,762, US\$16,869 and US\$7,110, respectively.

Leases

Leases are classified at the inception date as either a capital lease or an operating lease. A lease is a capital lease if any of the following conditions exists: (a) ownership is transferred to the lessee by the end of the lease term, (b) there is a bargain purchase option, (c) the lease term is at least 75% of the property's estimated remaining economic life or (d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred. The Company had no capital leases for any of the years presented.

Income Taxes

The Company follows the liability method of accounting for income taxes, whereby deferred tax assets and liabilities are recognized based on the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and attributable to operating loss and tax credit carryforwards, if any. The Company reduces the carrying amounts of deferred tax assets by a valuation allowance, if based on the available evidence, it is “more-likely-than-not” that such assets will not be realized. Accordingly, the need to establish valuation allowances for deferred tax assets is assessed at each reporting period based on a “more-likely-than-not” realization threshold. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of futures profitability, the duration of statutory carryforward periods, the Company's experience with operating loss and tax credit carryforwards, if any, not expiring.

The Company applies ASC 740, *Income taxes* (“ASC 740”), to account for uncertainties in income taxes. In accordance with the provisions of ASC 740, the Company recognizes in its financial statements the impact of a tax position if a tax return position or future tax position is “more-likely-than-not” to prevail based on the facts and technical merits of the position. Tax positions that meet the “more-likely-than-not” recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement.

The Company's estimated liability for unrecognized tax benefits, which is included in “other non-current liabilities”, is periodically assessed for adequacy and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statutes of limitation. The outcome for a particular audit cannot be determined with certainty prior to the conclusion of the audit and, in some cases, appeal or litigation process. The actual benefits ultimately realized may differ from the Company's estimates. As each audit is concluded, adjustments, if any, are recorded in the Company's financial statements. Additionally, in future periods, changes in facts, circumstances, and new information may require the Company to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur.

Interest and penalties arising from underpayment of income taxes are computed in accordance with the related PRC tax law. The amount of interest expense is computed by applying the applicable statutory rate of interest to the difference between the tax position recognized and the amount previously taken or expected to be taken in a tax return. Interest and penalties recognized in accordance with ASC 740 are classified in the consolidated statements of comprehensive income (loss) as income tax expense.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government Grants

Government grants primarily consist of financial subsidies received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. For certain government grants, there are no defined rules and regulations to govern the criteria necessary for companies to receive such benefits, and the amount of financial subsidy is determined at the discretion of the relevant government authorities. The government grants of non-operating nature with no further conditions to be met are recorded as non-operating income in “Other income, net” when received. The government grants with certain operating conditions are recorded as liabilities when received and will be recorded as operating income when the conditions are met. Government grants related to the acquisition of property and equipment and land use rights are recorded as other non-current liabilities on the consolidated balance sheets when the grants become receivable, and recognized as other income in the consolidated statements of comprehensive income (loss) on a straight-line basis over the estimated useful lives of those assets. For the years ended December 31, 2016, 2017 and 2018, US\$6,469 and US\$3,154, US\$1,435 respectively, of government grants were recognized in the consolidated statements of comprehensive income (loss).

Share-based Compensation

The Company’s employees and directors participate in the Company’s share-based award incentive plan which is more fully discussed in Note 18. The Company applies ASC 718, *Compensation-Stock Compensation* (“ASC 718”), to account for its employee share-based payments. There were no share-based payments made to non-employees for any of the years presented.

In accordance with ASC 718, the Company determines whether a share option should be classified and accounted for as a liability award or an equity award. All grants of share-based awards to employees classified as equity awards are recognized in the financial statements based on their grant date fair values which are calculated using an option pricing model. All grants of share-based awards to employees and directors classified as liabilities are remeasured at the end of each reporting period with an adjustment for fair value recorded to the current period expense in order to properly reflect the cumulative expense based on the current fair value of the vested rewards over the vesting periods. The Company has elected to recognize compensation expense using the straight-line method for all employee equity awards granted with graded vesting based on service conditions, which were not subject to performance vesting conditions.

Meanwhile, the Company uses the accelerated attribution method for equity awards with performance conditions on a tranche-by-tranche basis based on the probable outcome of the performance conditions. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards is reversed.

Cancellation of an award accompanied by the concurrent grant of a replacement award is accounted for as a modification of the terms of the cancelled award (“modified awards”). The compensation costs associated with the modified awards are recognized if the new vesting condition is achieved. Total recognized compensation cost for the awards is at least equal to the fair value of the awards at the grant date unless at the date of the modification the performance or service conditions of the original awards are not expected to be satisfied. The incremental compensation cost is measured as the excess of the fair value of the replacement award over the fair value of the cancelled award at the cancellation date. Therefore, in relation to the modified awards, the Company recognizes share-based compensation over the vesting periods of the replacement award, which comprises, (i) the amortization of the incremental portion of share-based compensation over the remaining vesting term and (ii) any unrecognized compensation cost of the original award over the original term.

In March 2016, the Financial Accounting Standards Board (“FASB”) issued a new accounting standard update on simplifying the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The new guidance also allows an entity to account for forfeitures when they occur. This guidance became effective for reporting periods beginning after December 15, 2016. The Company adopted this new guidance on January 1, 2017. In prior years, excess tax benefits were recognized in additional paid-in capital; tax deficiencies were recognized either as an offset to accumulated excess tax benefits, if any, or in the consolidated statement of comprehensive income (loss). Excess tax benefits were not recognized until the deduction reduces taxes payable. Upon adoption, all excess tax benefits and tax deficiencies are recognized as income tax expense or benefit in the consolidated statement of comprehensive income (loss). This change was adopted prospectively and did not have a material impact on the Company’s consolidated financial statements. The Company elected to account for forfeitures as they occur, rather than estimate expected forfeitures. These changes were adopted on a modified retrospective basis, and resulted in no material cumulative effect adjustment to retained earnings.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Earnings per Share

The Company computes earnings per Class A and Class B ordinary shares in accordance with ASC 260, *Earnings Per Share* (“ASC 260”), using the two class method. Under the provisions of ASC 260, basic net income per share is computed using the weighted average number of ordinary shares outstanding during the period except that it does not include unvested ordinary shares subject to repurchase or cancellation. Diluted net income per share is computed using the weighted average number of ordinary shares and, if dilutive, potential ordinary shares outstanding during the period. Potentially dilutive securities have been excluded from the computation of diluted net income per share if their inclusion is anti-dilutive. Potential ordinary shares consist of the incremental ordinary shares issuable upon the exercise of stock options, contracts that may be settled in the Company’s stock or cash and the conversion of the convertible senior notes. The dilutive effect of outstanding stock options and convertible senior notes is reflected in diluted earnings per share by application of the treasury stock method and the if-converted method, respectively. The computation of the diluted net income per share of Class A ordinary shares assumes the conversion of Class B ordinary shares, while the diluted net income per share of Class B ordinary shares does not assume the conversion of those shares.

The liquidation and dividend rights of the holders of the Company’s Class A and Class B ordinary shares are identical, except with respect to voting. The Class B ordinary shareholders do not have the legal ability to cause the Company’s board of directors to declare unequal dividends to the holders of Class A and Class B ordinary shares. As a result, and in accordance with ASC 260, the undistributed earnings for each year are allocated based on the contractual participation rights of the Class A and Class B ordinary shares as if the earnings for the year had been distributed. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, as the conversion of Class B ordinary shares is assumed in the computation of the diluted net income per share of Class A ordinary shares, the undistributed earnings are equal to net income for that computation. For the purposes of calculating the Company’s basic and diluted earnings per Class A and Class B ordinary shares, the ordinary shares relating to the options that were exercised are assumed to have been outstanding from the date of exercise of such options.

Derivative Instruments

ASC 815, *Derivatives and Hedging*, requires all contracts which meet the definition of a derivative to be recognized on the balance sheet as either assets or liabilities and recorded at fair value. Changes in the fair value of derivative financial instruments are either recognized periodically in earnings or in other comprehensive income (loss) depending on the use of the derivative and whether it qualifies for hedge accounting. Changes in fair values of derivatives not qualified as hedges are reported in earnings. The estimated fair values of derivative instruments are determined at discrete points in time based on the relevant market information. These estimates are calculated with reference to the market rates using industry standard valuation techniques. The fair value of the derivative instruments held by the Company was insignificant for all of the years presented.

Comprehensive Income (Loss)

Comprehensive income (loss) is defined as the change in equity of the Company during a period from transactions and other events and circumstances excluding transactions resulting from investments from owners and distributions to owners. Accumulated other comprehensive income (loss), as presented on the consolidated balance sheets, includes (i) the cumulative foreign currency translation adjustments, and (ii) gains and losses on intra-entity foreign currency transactions that are of a long-term-investment nature (that is, settlement is not planned or anticipated in the foreseeable future) between consolidated entities. Comprehensive income (loss) also included changes in unrealized gains (losses) on available-for-sale equity securities for the years ended December 31, 2016 and 2017, before the adoption of ASU 2016-01.

Contingencies

The Company records accruals for certain of its outstanding legal proceedings or claims when it is probable that a liability will be incurred and the amount of loss can be reasonably estimated. The Company evaluates, on a quarterly basis, developments in legal proceedings or claims that could affect the amount of any accrual, as well as any developments that would make a loss contingency both probable and reasonably estimable. The Company discloses the amount of the accrual if it is material.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When a loss contingency is not both probable and estimable, the Company does not record an accrued liability but discloses the nature and the amount of the claim, if material. However, if the loss (or an additional loss in excess of the accrual) is at least reasonably possible, then the Company discloses an estimate of the loss or range of loss, if such estimate can be made and material, or states that such estimate is immaterial if it can be estimated but immaterial, or discloses that an estimate cannot be made. The assessments of whether a loss is probable or reasonably possible, and whether the loss or a range of loss is estimable, often involve complex judgments about future events. Management is often unable to estimate the loss or a range of loss, particularly where (i) the damages sought are indeterminate, (ii) the proceedings are in the early stages, or (iii) there is a lack of clear or consistent interpretation of laws specific to the industry-specific complaints among different jurisdictions. In such cases, there is considerable uncertainty regarding the timing or ultimate resolution of such matters, including eventual loss, fine, penalty or business impact, if any.

Recent accounting pronouncements

In February 2016, the FASB established Topic 842, *Leases*, by issuing ASU No. 2016-02, which requires lessees to recognize leases on balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, *Land Easement Practical Expedient for Transition to Topic 842*; ASU No. 2018-10, *Codification Improvements to Topic 842, Leases*; and ASU No. 2018-11, *Targeted Improvements*. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement.

The new standard is effective for public business entities for annual periods beginning after December 15, 2018, and interim periods therein. For all other entities, the standard is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. The Company adopted the new standard on January 1, 2019 and used the effective date as the date of initial application. Consequently, financial information will not be updated and the disclosures required under the new standard will not be provided for dates and periods before January 1, 2019.

The new standard provides a number of optional practical expedients in transition. The Company elected the ‘package of practical expedients’, which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs.

Leases currently classified as operating leases in note 21 will be reported on the consolidated balance sheets upon adoption at their net present value, which will increase total assets and liabilities. The Company expects to recognize the right-of-use assets and lease liability in amount of approximately US\$5.7 million respectively as of January 1, 2019. The Company used its estimated incremental borrowing rate based on information available at the date of adoption in calculating the present value of its existing lease payments. The adoption of ASC 842 is not expected to have a material impact to the Company’s consolidated statements of comprehensive income (loss) or net cash provided by operating activities.

The adoption of ASC 842 is not expected to have a material impact to the accounting and disclosure of sublease services in which the Company is the lessor.

In June 2016, the FASB issued ASU No. 2016-13 (“ASU 2016-13”), *Financial Instruments – Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 changes the impairment model for most financial assets and certain other instruments. The standard will replace “incurred loss” approach with an “expected loss” model for instruments measured at amortized cost. For available-for-sale debt securities, entities will be required to record allowances rather than reduce the carrying amount, as they do today under the other-than-temporary impairment model. The standard is effective for public business entities for annual periods beginning after December 15, 2019, and interim periods therein. Early adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*. ASU No. 2018-13 eliminates, adds and modifies certain disclosure requirements for fair value measurements. The amendments applicable to the disclosures of changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial year of adoption. This ASU is effective for all entities for fiscal years beginning after December 15, 2019, including interim periods therein. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted, and an entity is also permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. The Company is in the process of evaluating the impact on its consolidated financial statements upon adoption.

3. CONCENTRATION OF RISKS

Concentration of Credit Risk

Assets that potentially subject the Company to significant concentration of credit risk primarily consist of cash and cash equivalents, restricted cash, fixed-rate time deposits classified as short-term investments, accounts receivable, funds receivable, loans receivable and commitment deposits. As of December 31, 2018, the Company had US\$463,615 in cash and cash equivalents, restricted cash and short-term investments, 96.2% and 3.8% of which were held by financial institutions in the PRC and financial institutions outside of the PRC, respectively. Under PRC law, it is generally required that a commercial bank in the PRC that holds third-party cash deposits protect the depositors' rights and interests over their deposited money; PRC banks are subject to a series of risk control regulatory standards; and PRC bank regulatory authorities are empowered to take over the operation and management of any PRC bank that faces a material credit crisis. In the event of bankruptcy of one of the financial institutions in which the Company has deposits or investments, it may be unlikely to claim its deposits or investments back in full. The Company selected reputable financial institutions with high credit ratings to deposit its assets. The Company regularly monitors the ratings of the financial institutions in case of any defaults. There has been no recent history of default in relation to these financial institutions.

Accounts receivable are typically unsecured and are derived from revenue earned from customers in the PRC. The risk with respect to accounts receivable is mitigated by credit evaluations the Company performs on its customers and its ongoing monitoring of outstanding balances. The Company regularly reviews the creditworthiness of its customers, and requires collateral from its customers in certain circumstances when accounts receivables become long overdue.

Funds receivable represent amounts due from third-party payment service providers. The Company carefully considers and monitors the credit worthiness of the third-party payment service providers to mitigate any risks associated with funds receivable.

The Company is exposed to default risk on its loans receivable. The Company assesses the allowance for credit loss related to loans receivable on a quarterly basis, either on an individual or collective basis. As of December 31, 2018, no single borrower comprised a significant portion of the Company's loan portfolio.

The Company regularly reviews the creditworthiness of real estate developers, and requires collateral from real estate developers in certain circumstances when commitment deposits become overdue.

Concentration of Customers

There were no revenues from customers which individually represented greater than 10% of the total revenues for any of the years ended December 31, 2016, 2017 and 2018.

Current Vulnerability Due to Certain Other Concentrations

The Company's operations may be adversely affected by significant political, economic and social uncertainties in the PRC. Although the PRC government has been pursuing economic reform policies for more than 30 years, no assurance can be given that the PRC government will continue to pursue such policies or that such policies may not be significantly altered, especially in the event of a change in leadership, social or political disruption or unforeseen circumstances affecting the PRC's political, economic and social conditions. There is also no guarantee that the PRC government's pursuit of economic reforms will be consistent or effective.

The Company almost transacts all of its business in RMB, which is not freely convertible into foreign currencies. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People's Bank of China (the "PBOC"). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into United States dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC.

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3. CONCENTRATION OF RISKS (continued)

Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts. Additionally, the value of the RMB is subject to changes in central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

Internet and advertising related businesses are subject to significant restrictions under current PRC laws and regulations. Specifically, foreign investors are not allowed to own more than a 50% equity interest in any ICP business. In 2016, a foreign invested entity mainly owned and ultimately controlled by our WFOE obtained the ICP to operate www.fang.com.

The Company conducts its operations in the PRC through contractual arrangements entered into between the WOFEs and the PRC Domestic Entities. The relevant regulatory authorities may find the current contractual arrangements and businesses to be in violation of any existing or future PRC laws or regulations. If the Company or any of its current or future PRC Domestic Entities or subsidiaries are found in violation of any existing or future laws or regulations, or fail to obtain or maintain any of the required permits or approvals, the relevant regulatory authorities would have broad discretion in dealing with such violations, including levying fines, confiscating the income of WOFEs, PRC Domestic Entities and the PRC Domestic Entities' subsidiaries, revoking the business licenses or operating licenses of WOFEs, PRC Domestic Entities and the PRC Domestic Entities' subsidiaries, shutting down the Company's servers or blocking the Company's websites, discontinuing or placing restrictions or onerous conditions on the Company's operations, requiring the Company to undergo a costly and disruptive restructuring, or enforcement actions that could be harmful to the Company's business. Any of these actions could cause significant disruption to the Company's business operations and severely damage the Company's reputation, which would in turn materially and adversely affect the Company's business and results of operations. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of PRC Domestic Entities or the Company's right to receive their economic benefits, the Company would no longer be able to consolidate the PRC Domestic Entities.

In addition, if the WOFEs, PRC Domestic Entities and the PRC Domestic Entities' subsidiaries or their shareholders fail to perform their obligations under the Contractual Agreements, the Company may have to incur substantial costs and expend resources to enforce the Company's rights under the contracts. The Company may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. All of these Contractual Agreements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with the PRC legal procedures. The legal system in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these Contractual Agreements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event the Company is unable to enforce these Contractual Agreements, the Company may not be able to exert effective control over its PRC Domestic Entities, and the Company's ability to conduct its business may be negatively affected.

The Company believes that its corporate structure and Contractual Agreements of the Company's PRC Domestic Entities and WFOEs in China are in compliance with all existing PRC laws and regulations. Therefore, in the opinion of management, (i) the ownership structure of the Company and the PRC Domestic Entities are in compliance with existing PRC laws and regulations; (ii) the Contractual Agreements with PRC Domestic Entities and their nominee shareholder are valid and binding, and will not result in any violation of PRC laws or regulations currently in effect; and (iii) the Company's business operations are in compliance with existing PRC law and regulations in all material respects.

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4. REVENUE

The following table presents revenue disaggregated by nature of services:

	For the Year Ended December 31, 2018
E-commerce services	
- Fang membership services	2,752
- Direct sales services	5,294
- Sub lease services	6,402
- Other	936
Subtotal	15,384
Marketing services	119,680
Listing services	
- Basic listing services	84,482
- Special listing services	29,052
Subtotal	113,534
Financial services	18,060
Value-added services	
- Data services	18,905
- Analytics services	12,220
- Other	5,233
Subtotal	36,358
Total revenues	303,016

The following table presents revenue disaggregated by categories of customers:

	For the Year Ended December 31, 2018
E-commerce services	
- New home (a)	7,391
- Other	7,993
Subtotal	15,384
Marketing services	
- New home (a)	119,352
- Home furnishing and improvement	328
Subtotal	119,680
Listing services	
- Secondary and rental (b)	84,773
- Research (c)	28,748
- Other	13
Subtotal	113,534
Financial services	18,060
Value-added services	36,358
Total revenues	303,016

(a) New home business primarily consists of sales to residential property developers and their sales agents who are promoting newly developed properties for sale.

(b) Secondary and rental business primarily consists of sales to real estate agents who are promoting secondary properties for sale or rental.

(c) Research primarily consists of online and offline themed marketing campaigns provided to customers.

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5. INVESTMENTS

Short-term investments and long-term investments consisted of the following:

	2017	As of December 31,
	US\$	2018
		US\$
Short-term investments		
Trading securities	15,833	1,773
Fixed-rate time deposits	39,968	14,270
	55,801	16,043
Long-term investments:		
Equity Investments with Readily Determinable Fair Values:		
- Color Life Service Company ("Color Life")	4,554	-
- Hopefluent Company Holdings Limited ("Hopefluent")	47,729	30,733
- Shenzhen World Union Properties Consultancy Co., Ltd. ("World Union")	318,065	150,750
	370,348	181,483
Equity Investments without Readily Determinable Fair Values:		
- Guilin Bank	38,817	47,664
- Xian Chuangdian Quancheng Real Estate Consultant Limited (“Chuangdian”)	3,498	3,330
- Tospur Real Estate Consulting Co., Ltd. ("Tospur")	58,301	55,507
-Foshan Nature Lvke Science	-	729
	100,616	107,230
Equity method investments		
- Chongqing Wanli New Energy Co., Ltd. (“Wanli”)	-	84,520
	470,964	373,233

As of December 31, 2017 and 2018, the Company held fixed-rate time deposits purchased from commercial banks and financial institutions with maturities of less than one year.

In October 2017, the Company invested US\$15,299 in PRC mutual funds, which were classified as trading securities as they were held principally for the purpose of selling in the near term. As of December 31, 2017, the market price increases to US\$15,833 and an unrealized gains of US\$518 was included in earnings. In 2018, the Company sold majority of such trading securities in the amount of US\$11,705, and recognized a loss of US\$2,091 in the consolidated statements of change in fair value of trading securities.

Interest income on the fixed-rate time deposits and cash and cash equivalents and restricted cash of US\$11,367, US\$11,322 and US\$10,302 were recognized for the years ended December 31, 2016, 2017 and 2018, respectively.

Dividends from the long-term investments of US\$3,281, US\$6,692 and US\$6,838 were recognized as investment income in the consolidated statements of comprehensive income (loss) for the years ended December 31, 2016, 2017 and 2018, respectively.

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5. INVESTMENTS (continued)

On June 27, 2014, the Company acquired 27,551,733 shares of Color Life, a Hong Kong listed company, for US\$13,583. The investment constituted a 2.76% ownership in Color Life and was classified as an available-for-sale security. As of December 31, 2016, the market price further declined to US\$20,606 and an unrealized loss of US\$3,097 was recorded in other comprehensive income (loss). In 2017, the Company sold 20,705,000 shares for a total consideration of US\$12,317, and recognized a gain of US\$ 2,110 in the consolidated statements of comprehensive income (loss). As of December 31, 2017, the market price of the remaining shares declined to US\$4,554. Total fair value decrease of US\$3,735 was recorded in other comprehensive income (loss) and US\$2,110 gain related to the sale was reclassified out of accumulated other comprehensive income for the year ended December 31, 2017. In 2018, the Company sold 6,846,733 shares for a total consideration of US\$6,645, and recognized a gain of US\$2,091 in the consolidated statements of comprehensive income (loss). The Company received cash dividends in the amount of US\$440 distributed by Color Life in 2018.

In November 2014, the Company acquired an aggregate of 111,935,037 shares of Hopefluent, a Hong Kong listed company, for US\$43,361. The investment constituted a 17.26% ownership in Hopefluent and was classified as an available-for-sale security. As of December 31, 2016, an unrealized loss of US\$306 was recorded in other comprehensive income (loss) for the year ended December 31, 2016. In 2017, the Company sold 3,164,000 shares for a total consideration of US\$1,614, and recognized a gain of US\$626 in the consolidated statements of comprehensive income (loss). As of December 31, 2017, the market price of the remaining shares increased to US\$47,729. Total fair value increase of US\$18,309 was recorded in other comprehensive income and US\$626 gain related to the sale was reclassified out of accumulated other comprehensive income for the year ended December 31, 2017. In 2018, the Company received cash dividends in the amount of US\$1,711 distributed by Hopefluent. As of December 31, 2018, the market price of the shares declined to US\$30,733. Total fair value decrease of US\$16,996 was recorded in change in fair value of securities for the year ended December 31, 2018.

On May 29, 2015, the Company acquired an aggregate of 145,376,744 shares of World Union, a PRC listed company, at a total consideration of US\$121,393. The investment constituted a 10.06% ownership in World Union. The investment in World Union was classified as a cost method investment upon acquisition, as the Company could not freely sell the shares due to a lock-up provision of 36 months. On April 8, 2016, World Union declared a stock dividend whereby four shares were distributed to shareholders for every ten shares held. As a result, the Company's shareholding increased from 145,376,744 shares to 203,527,442 shares. As of December 31, 2017, as the lock-up restriction will terminate within one year, the classification of the investment changed from a cost method to an available for sale security, and the fair value of the investment was measured based on the market price, adjusted for the effect of the remaining restriction, in accordance with ASC 820. As of December 31, 2017, the fair value of World Union was US\$318,065 and the related tax effect of US\$49,566 were recorded in other comprehensive income for the year ended December 31, 2017. As of December 31, 2017 and 2018, the investment constituted a 9.96% ownership in World Union. The Company received cash dividends distributed by World Union in amount of US\$2,417 and US\$2,445 in 2017 and 2018 respectively. As of December 31, 2018, the fair value of World Union was US\$150,750, total fair value decrease of US\$161,039 was recorded in change in fair value of securities for the year ended December 31, 2018.

On October 29, 2015, the Company acquired 11.03% of the share capital of Sindeo, a non-listed company, for US\$5,000. The investment in Sindeo was classified as a cost method investment, as the Company does not have significant influence over Sindeo and because there is no readily determinable fair value. During the year ended December 31, 2016 and 2017, the impairment loss of US\$2,232 and US\$2,768, respectively, was recorded in the statement of comprehensive income (loss) as Sindeo's financial condition had deteriorated as evidenced by significant operating losses.

On July 12, 2016, 30,595,859 shares of Guilin Bank, a PRC non-listed company, was transferred by a third-party to repay a portion of its overdue receivables of US\$12,173 owed to the Company. The investment constituted a 1.02% ownership in Guilin Bank. The investment was classified as equity securities without readily determinable fair values, as the Company does not have significant influence over Guilin Bank and because there is no readily determinable fair value. On September 25, 2017, additional 42,834,202 shares of Guilin Bank was transferred by the third-party in full satisfaction of its remaining overdue receivables of US\$24,695 to the Company. In October 2017, the Company received 7,343,006 shares of Guilin Bank as a stock dividend and the Company's shareholding increased from 73,430,061 to 80,773,067. The total investment constituted a 1.98% and 1.79% ownership in Guilin Bank as of December 31, 2017 and 2018 respectively. No impairment on the investment in Guilin Bank was recognized for the year ended December 31, 2017 and 2018. The Company received cash dividends distributed by Guilin Bank in amount of US\$1,308 and US\$1,402 in 2017 and 2018 respectively. In 2018, Guilin Bank entered into a new financing agreement with a group of new investors. The new financing provided the observable price for the Company's investment. The Company evaluated this investment's carrying amount based on the observable price, and recognized a gain of US\$10,633 in change in fair value of securities. The Company accounts for the investment in Guilin Bank at cost adjusted for observable price changes for the years ended December 31, 2018.

On January 21, 2016, the Company acquired an aggregate of 4,411,765 shares of Chuangdian, which is listed on the National Equities Exchange and Quotations (“NEEQ”) in the PRC, for a total consideration of US\$3,294. The investment constituted a 15% ownership in Chuangdian and was classified as equity securities without readily determinable fair values, as the Company does not have significant influence and because there is no readily determinable fair value, as the breadth and scope of NEEQ is not comparable to equivalent U.S markets. The Company received 2,766,177 and 1,378,165 shares as dividends in 2016 and 2017, respectively. The Company received cash dividends in the amount of US\$96 and US\$113 in 2017 and 2018 respectively. No impairment on the investment in Chuangdian was recognized for the year ended December 31, 2017 and 2018.

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5. INVESTMENTS (continued)

On December 10, 2014, the Company acquired 16% of the share capital of Tospur, a non-listed company, for US\$62,257. The investment in Tospur was classified as equity securities without readily determinable fair values, as the Company does not have significant influence over Tospur and because there is no readily determinable fair value. No impairment on the investment in Tospur was recognized for the year ended December 31, 2018. The Company received US\$649 and US\$619 cash dividends in 2017 and 2018 respectively.

In July 2018, the Company has entered into definitive agreements (the Agreement) to acquire a 10% equity interest in Chongqing Wanli New Energy Co., Ltd. (“Wanli”), a company listed on the Shanghai Stock Exchange, from its controlling shareholder for a cash consideration of US\$72,852, of which US\$29,141 will compensate the seller in connection with the Business Disposal (defined below). The difference between the cash consideration of the investment and the amount of underlying equity in net assets of Wanli was US\$60,980 as of August 10, 2018, the closing date of the acquisition. In connection with the acquisition, the seller agrees (1) to enter into an irrevocable acting-in-concert agreement with a term of three years to adhere to the Company’s action in Wanli’s future meetings of shareholders and board of directors, (2) to purchase from Wanli its battery business for a price of no less than US\$99,758 within three years after the consummation of the proposed acquisition, and (3) to ensure the profitability of Wanli measured by the lower of net profit or net profit excluding extraordinary items in three years subsequent to the Agreement. Following the consummation of the acquisition, the Company became the largest shareholder of Wanli.

During September to December in 2018, the Company acquired additional 4.67% equity interest in Wanli through daily transactions in the secondary market with total consideration of US\$11,667. As at December 31, 2018, the Company holds 14.67% equity interest in Wanli.

The investment is accounted for under equity method as the Company can exercise significant influence over operating and financial policies of Wanli.

The following is a summary of the available-for-sale securities as of December 31, 2017. Due to the adoption of ASU 2016-01, change in fair value of available-for-sale equity securities are recorded in change in fair value of securities in the consolidated financial statement of comprehensive income (loss).

	<u>Original Cost</u> US\$	<u>Gross Unrealized Gains</u> US\$	<u>Gross Unrealized Losses</u> US\$	<u>Fair Value (Net Carrying Amount)</u> US\$
December 31, 2017				
- Color Life	3,376	1,178	-	4,554
- Hopefluent	33,956	13,773	-	47,729
- World Union	121,393	196,672	-	318,065
	<u>158,725</u>	<u>211,623</u>	<u>-</u>	<u>370,348</u>

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6. ACCOUNTS RECEIVABLE

Accounts receivable and the related allowance for doubtful accounts were summarized as follows:

	As of December 31,	
	2017	2018
	US\$	US\$
Accounts receivable	98,011	94,226
Allowance for doubtful accounts	(31,127)	(33,276)
Accounts receivable, net	66,884	60,950

	For the Years Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Movement in allowance for doubtful accounts:			
Balance at beginning of year	31,064	34,336	31,127
Additional provision charged to expenses	30,025	31,695	28,050
Write-offs	(24,250)	(38,351)	(23,442)
Foreign currency translation adjustments	(2,473)	3,417	(2,459)
Balance at end of year	34,366	31,127	33,276

The recoveries of amounts previously charged off were US\$2,568 in 2018.

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7. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consisted of the following:

	As of December 31,	
	2017	2018
	US\$	US\$
Prepaid expenses	5,845	5,999
Advance to employees	903	603
Receivable from a broker for exercise of employee stock options	808	65
Rental deposits and others	4,876	2,325
Interest receivable	2,902	3,801
Rent paid to original lessors for sublease services	5,590	346
Properties held for sale	5,429	9,906
Others	6,351	4,950
	32,704	27,995

8. LOANS RECEIVABLE

Beginning in August 2014, the Company initially provided secured and unsecured loans to both individuals and businesses, but ceased to provide loans to businesses by end of 2015. Loans made to individuals consist of loans secured by pledged properties for consumption and property renovations use, as well as unsecured loans.

Secured loans

As of December 31, 2017 and 2018, the duration of secured loans ranged from 3 to 36 months, and had interest rates ranging from 6% to 21.6% per annum and 7.8% to 18% per annum, respectively. As of December 31, 2017 and 2018, the total outstanding balance is US\$132,841 and US\$123,673.

Unsecured loans

As of December 31, 2017 and 2018, the duration of unsecured loans ranged from 1 to 36 months, and had interest rates ranging from 1% to 28% per annum and 5.4% to 18% per annum. As of December 31, 2017 and 2018, the total outstanding balance is US\$16,187 and US\$4,007.

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8. LOANS RECEIVABLE (continued)

The Company assesses the allowance for credit loss related to loans receivable on a quarterly basis, either on an individual or collective basis. The Company considers various factors in evaluating loans receivable for possible impairment on an individual basis. These factors include the amount of the loan, historical experience, value of collateral, if any, credit quality and age of the receivables balances. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available. When the evaluation indicates that it is probable that the scheduled interest and principal payments due per the loan agreement are unlikely to be collected, such loan receivable is considered impaired. Impairment is measured on an individual loan basis using either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is secured. The Company evaluates the remainder of its loans receivables portfolio for impairment on a collective basis in accordance with ASC 450-20, *Loss Contingencies*, and records an allowance for credit loss at the portfolio level. When evaluating the loans receivable on a collective basis, the Company applies a formula-based percentage utilizing historical loss data to calculate the collective allowance.

The Company's internal credit risk ratings are categorized into three categories: pass, special attention and non-performing. A “pass” rating represents the highest quality loans receivable. Typically, the Company considers loans receivable with a risk rating of non-performing to be fully impaired, or up to the fair value of collateral, if any.

The Company derives internal credit risk rating by taking into consideration various customer-specific factors, such as the Company's specific historical experience with the borrower. Such credit risk rating is updated when facts or circumstances change. Loans receivable are written off at the point when they are considered uncollectible, and all outstanding balances, including any previously earned but uncollected interest income, will be reversed and charged against the allowance for credit loss.

The internal credit risk rating considerations are as follows:

- Pass: Loans for which borrowers are expected to honor the terms of the contracts. There are no indicators to question the borrowers' ability to repay the principal and accrued interest in full and on a timely basis.
- Special attention: Loans for which borrowers are currently able to repay the principal and no interests are accrued when considered impaired or overdue more than 90 days, the repayment of loans might be adversely affected by some factors.
- Non-performing: Loans for which borrowers may not able to repay the principal and accrued interest in full. These loans are fully provided for unless secured by collateral

The Company does not accrue interest on loans receivable that are considered impaired or more than 90 days past due unless either the receivable has not been collected due to administrative reasons or the receivable is well secured and in the process of collection. After an impaired loans receivable has been placed on nonaccrual status, interest will be recognized when cash is received on a cash basis method-cost recovery. A loan receivable may be returned to accrual status after all of the borrower's delinquent balances of principal and interest have been settled, and the borrower remains current for an appropriate period. The outstanding balance of nonaccrual loans as of December 31, 2017 and 2018 were US\$3,996 and US\$5,749.

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8. LOANS RECEIVABLE (continued)

A summary of the Company’s loans receivables is presented as follows:

	As of December 31, 2017 US\$'000	As of December 31, 2018 US\$'000
Personal loans	149,028	127,680
Total Loans receivable	<u>149,028</u>	<u>127,680</u>
Allowance for loan losses		
Individually assessed	574	546
Collectively assessed	4,342	3,283
Loans receivable, net	<u>144,112</u>	<u>123,851</u>
Current portion	129,438	117,602
Non-current portion	14,674	6,249

For the years ended December 31, 2016, 2017 and 2018, a provision of US\$80 and US\$1,180, and a reversal of provision of US\$884, were recorded to the consolidated statements of comprehensive income (loss) respectively, while no charge-offs against provisions occurred.

Analysis of loans by credit quality indicator

The following table summarizes the Company’s loan portfolio by credit quality indicator as of December 31, 2018 and 2017, respectively:

Internal credit risk rating	As of December 31, 2017		%	As of December 31, 2018	
	US\$			US\$	
Pass	144,908	97.2	121,931	96.0	
Special attention	763	0.5	1,383	1.0	
Non-performing	3,357	2.3	4,366	3.0	
Total	<u>149,028</u>	<u>100</u>	<u>127,680</u>	<u>100</u>	

The following tables represent the aging of loans by portfolio segment as of December 31, 2017 and 2018, respectively:

As of December 31, 2018	90-179 days	180-365 days	Over 1 year	Total	Current	Total loans
	past due	past due	past due			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Personal loans	1,717	164	3,345	5,226	122,454	127,680
Total	<u>1,717</u>	<u>164</u>	<u>3,345</u>	<u>5,226</u>	<u>122,454</u>	<u>127,680</u>
As of December 31, 2017	90-179 days	180-365 days	Over 1 year	Total	Current	Total loans
	past due	past due	past due			
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Personal loans	245	180	3,445	3,870	145,158	149,028
Total	<u>245</u>	<u>180</u>	<u>3,445</u>	<u>3,870</u>	<u>145,158</u>	<u>149,028</u>

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8. LOANS RECEIVABLE (continued)

Allowance for loan losses

The following tables present the activity in the allowance for loan losses in loans receivable by loan portfolio as of and for the year ended December 31, 2017 and 2018, respectively:

	Personal loans
For the year ended December 31, 2018	
Beginning balance	4,916
Provision	2,776
Reversal	(3,660)
Foreign currency translation adjustments	(203)
Ending balance	3,829
Ending balance: individually evaluated for impairment	546
Ending balance: collectively evaluated for impairment	3,283
Loans	
Of which individually evaluated for impairment	546
Of which collectively evaluated for impairment	127,134
For the year ended December 31, 2017	
Beginning balance	3,736
Provision	1,180
Write offs	-
Ending balance	4,916
Ending balance: individually evaluated for impairment	574
Ending balance: collectively evaluated for impairment	4,342
Loans	
Of which individually evaluated for impairment	4,477
Of which collectively evaluated for impairment	144,551

9. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	As of December 31,	
	2017	2018
	US\$	US\$
Buildings	576,467	701,413
Office equipment	24,892	21,358
Motor vehicles	1,408	1,427
Leasehold improvement	16,244	18,152
Land	50,731	50,731
Total	669,742	793,081
Less: Accumulated depreciation	(78,187)	(99,340)
Construction in progress	30,590	34,571
	622,145	728,312

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9. PROPERTY AND EQUIPMENT, NET (continued)

Depreciation of property and equipment and amortization of land use rights were US\$25,004, US\$27,961 and US\$26,735 for the years ended December 31, 2016, 2017 and 2018, respectively.

As of December 31, 2018, the Company is still in the process of obtaining the property ownership certificates for certain buildings with aggregate net carrying values of US\$14,796. As the transfer of ownership of the buildings have been legally registered with the applicable government authority and the purchase consideration has been fully paid by the Company, the Company has the ability to obtain and control the future economic benefits of the buildings. As a result, these buildings were recognized as assets in the consolidated balance sheets as of December 31, 2017 and 2018.

As of December 31, 2018, certain buildings with aggregate net carrying value of US\$406,738 were pledged for bank borrowings.

The Company capitalized interest cost as a component of the cost of construction in progress as follows:

	As of December 31,	
	2017	2018
	US\$	US\$
Interest cost capitalized	756	-
Interest cost charged against income	16,153	21,174
Total interest cost incurred	16,909	21,174

10. DEPOSIT FOR NON-CURRENT ASSETS

Deposit for non-current assets consisted of the following:

	As of December 31,	
	2017	2018
	US\$	US\$
Buildings	55,364	-
Others	3,358	902
Total	58,722	902

As of December 2017, deposits for buildings represent interest-free non-refundable deposits for the purchases of certain office buildings: (i) an office building in Wuhan in the PRC for US\$41,107; (ii) two floors of an office building in Chongqing, Sichuan province in the PRC for US\$13,758; and (iii) one floor of an office building in Changzhou, Jiangsu province in the PRC for US\$499. In 2018, deposits for buildings were reclassified to property and equipment as the Company obtained the control of these buildings. As of December 31, 2018, deposits for others represent deposits for the purchase of office equipment.

As of December 31, 2017, US\$41,107 of deposits for non-current assets have been pledged for US\$18,403 bank borrowings from financial institutions in China. No deposits for non-current assets have been pledged in 2018.

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11. OTHER NON-CURRENT ASSETS

Other non-current assets consisted of the following:

	As of December 31,	
	2017	2018
	US\$	US\$
Rental and other deposits	852	1,861
Rental deposits paid to lessors for sublease services	409	85
Others	765	2,612
	2,026	4,558

12. SHORT-TERM AND LONG-TERM LOANS

Short-term and long-term loans consisted of the following:

	As of December 31,	
	2017	2018
	US\$	US\$
Short-term loans	236,985	297,811
Long-term loans	114,109	123,215

Short-term loans as of December 31, 2017 and 2018 represents US\$ denominated bank borrowings of US\$190,000 and US\$190,000, respectively obtained from financial institutions in the United States and the current-portion of long-term loans of US\$46,985 and US\$107,811, respectively. The short-term loan of US\$190,000 are repayable on demand and bear interest rates of three month London Interbank Offered Rate (“LIBOR”) plus 1.25% (2017: 3-month LIBOR plus 1.25%). The short-term bank borrowings were secured by RMB denominated bank deposits placed with financial institutions in the PRC of US\$223,002 and US\$245,474 as of December 31, 2017 and 2018, respectively, and were classified as restricted cash, current on the consolidated balance sheets. The weighted average interest rate for the short-term borrowings for the years ended December 31, 2017 and 2018 was approximately 2.32% and 3.64%, respectively.

The long-term loan of US\$26,808 as of December 31, 2017 represents US\$ denominated bank borrowing obtained from financial institutions in China. The long-term loan is repayable on demand and bear interest rates of three month LIBOR plus 2.8%. The bank borrowing was secured by RMB denominated bank deposits placed with financial institutions in the PRC of US\$32,139 as of December 31, 2017, and was classified as “restricted cash, non-current” on the consolidated balance sheets. US\$26,808 of the bank loan was re-classified to short term loans because it was repayable within twelve months. The bank deposits placed with financial institutions in the PRC to secure the loan were re-classified as “restricted cash, current”.

The long-term loan of US\$31,353 as of December 31, 2018 represents US\$ denominated bank borrowing obtained from financial institutions in the United States. The long-term loan is repayable by installments from October 6, 2017 to November 11, 2027 and bears interest rate of 4.1% for the first 3 years; thereafter the interest rate will be floating at Industrial and Commercial Bank of China (USA) NA Prime plus 1.0%. US\$3,218 of the bank loan was re-classified to short term loans because it was repayable within twelve months. The loan is secured by land and building in the United States with carrying value of US\$43,230 as of December 31, 2018. Certain bank account was funded from the loan proceeds and was restricted for use to pay for the tenant improvements of the collateral property and the loan payments. As of December 31, 2018, the balance of the account of US\$5,989 was classified as restricted cash (non-current) on the consolidated balance sheets.

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12. SHORT-TERM AND LONG-TERM LOANS (continued)

The long-term loans of US\$83,771 and US\$70,640 as of December 31, 2017 and 2018 represent RMB denominated bank borrowings from financial institutions in China for the purchase of buildings in Beijing, PRC. The long-term loans are repayable by installments from September 23, 2016 to September 22, 2026 and bear interest rate of 4.9%. As of December 31, 2018, US\$70,640 of the bank loans were classified as short term loans because the Company did not meet certain loan covenants. Even though the Company obtained a waiver from the lender indicating that the lender permanently gave up its right to demand payment as a result of the violation as of December 31, 2018, the loan was classified as current because without the waiver, the Company would be in default at the December 31, 2018 balance sheet date and it is probable that the Company will be unable to comply with all provisions of the debt agreement for a period of one year from the balance sheet date. The loans were secured by building in the PRC with carrying value of US\$214,798 as of December 31, 2018. As of December 31, 2017, US\$43,333 of the bank loans were re-classified to short term loans because i) US\$31,904 was repayable on demand as the Company did not meet certain loan covenants, and ii) US\$11,429 was repayable within twelve months. The loans were secured by building and construction in progress in the PRC with carrying value of US\$237,055 as of December 31, 2017.

The long-term loan of US\$19,644 as of December 31, 2018 represents RMB denominated bank borrowings from financial institutions in China for the purchase of buildings in Wuhan, PRC. The long-term loan is repayable by installments from March 21, 2017 to March 21, 2027 and bears interest rate of 4.9%. US\$2,381 of the bank loan was re-classified to short term loans because it was repayable within twelve months. The loan was secured by accounts receivable with carrying amount of US\$2,988 and building in the PRC with carrying value of US\$45,398 as of December 31, 2018.

The long-term loan of US\$45,315 as of December 31, 2018 represents RMB denominated bank borrowings from financial institutions in China for the purchase of buildings in Chongqing, PRC. The long-term loan is repayable by installments from August 2, 2018 to August 1, 2028 and bears interest rate of 6.86%. US\$4,764 of the bank loan was re-classified to short term loans because it was repayable within twelve months. The loan was secured by buildings in the PRC with carrying value of US\$94,077 as of December 31, 2018.

The long-term loan of US\$37,266 as of December 31, 2018 represents US\$ denominated bank borrowing obtained from financial institutions in Taiwan. The principal of the long-term loan, in the amount of US\$40,000, is repayable by 10% on October 23, 2020 and by 90% on October 23, 2021. The loan bears an annual interest rate of 2.35% plus LIBOR of three months. US\$2,820 was paid to the bank as service charges and accounted for as reduction of the long-term loan. The loan was secured by building in the United States with carrying value of US\$9,235. Certain bank account was restricted for use to pay for interest payments. As of December 31, 2018, the balance of the account of US\$1,001 was classified as restricted cash (non-current) on the consolidated balance sheets. The Company met certain covenants in the loan agreement.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	As of December 31,	
	2017 US\$	2018 US\$
Payroll and welfare benefit	19,152	14,265
Other taxes and surcharges payable (1)	38,669	40,676
Amounts payable to employees	2,794	2,269
Amounts payable to sales and marketing agents	46,529	38,304
Amounts due to foremen and suppliers of decoration services	3,693	2,562
Amounts due to Tianxiajin investors	357	860
Down payments collected on behalf of secondary home sellers	1,806	1,202
Cash incentives payable to home buyers (2)	12,018	5,893
Others	33,781	25,237
	<u>158,799</u>	<u>131,268</u>

(1) Other taxes and surcharges payable consist of VAT, cultural construction fee (“CCF”), city construction tax (“CCT”) and withholding individual income tax (“IIT”).

(2) Cash incentives payable to home buyers, are payable when home buyers successfully purchase new properties through the Company’s platform and successfully registers on the Company’s website.

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14. CUSTOMERS’ REFUNDABLE FEES

Roll-forward of customers’ refundable fees:

	As of December 31,	
	2017	2018
	US\$	US\$
Balance at beginning of year	28,630	7,070
Cash received from customers during the year	69,148	20,512
Revenue recognized during the year	(30,998)	(13,563)
Payments to sales and marketing agents during the year	(36,836)	(7,313)
Refunds paid during the year	(23,941)	(2,128)
Foreign currency translation adjustments	1,067	(602)
Balance at end of year	7,070	3,976

15. CONVERTIBLE SENIOR NOTES

On December 4, 2013, the Company issued US\$400,000, including an US\$50,000 overallotment option (the “Overallotment Option”) which was exercised on January 3, 2014, of convertible senior notes which would mature on December 15, 2018 (collectively the “December 2018 Notes”). The total net proceeds from the December 2018 Notes were US\$390,455. The investors may convert the December 2018 Notes to Class A ordinary shares at any time in whole or in part at specified conversion prices. The conversion rate for the December 2018 Notes was initially 9.6839 ADSs per US\$1,000 principal amount of notes (equivalent to an initial conversion price of approximately US\$103.26 per ADS), subject to adjustment as described in the respective Subscription Agreement.

Investors of the December 2018 Notes had the right to require the Company to repurchase for cash all or part of their notes on December 15, 2016, and this was exercised accordingly. The Company repurchased a total of US\$394,300 of the December 2018 Notes, which represents approximately 98.6% of the outstanding principal amount of the Notes prior to such repurchase. In 2018, the Company repurchased the remaining balance of US\$5,700 of the December 2018 Notes.

On September 24, 2015, the Company issued (i) 3,418,803 Class A ordinary shares for US\$100,000 and (ii) US\$100,000 of convertible notes which will mature on September 24, 2022 (the “September 2022 Notes”) to Safari Company. The Safari Company is beneficially owned by the Carlyle Company (“Carlyle”) (72%) and Ateefa Limited, a company owned by Vincent Tianquan Mo (28%). A representative of Carlyle is entitled to hold a seat on the Company’s board of directors so long as Carlyle continues to beneficially own at least 1% of the Company’s total outstanding share capital calculated on a fully-diluted basis. The total net proceeds from the Class A ordinary shares and the September 2022 Notes were US\$199,645. The investors may convert the September 2022 Notes to Class A ordinary shares at any time in whole or in part at specified conversion prices. The conversion rate for the September 2022 Notes is initially 27.9086 Class A Shares per US\$1,000 principal amount of the Note (equivalent to an initial conversion price of approximately US\$35.83 per Class A Share), subject to adjustment as described in the respective Subscription Agreement.

On November 4, 2015, the Company issued (i) an aggregate of 8,436,581 Class A shares for an total consideration of US\$246,770 and (ii) US\$200,000 of convertible notes which will mature on November 3, 2022 (the “November 2022 Notes”). The total net proceeds from the Class A ordinary shares and the November 2022 Notes were US\$446,059. The investors may convert the November 2022 Notes to Class A ordinary shares at any time in whole or in part at specified conversion prices. The conversion rate for the November 2022 Notes is initially 27.9086 Class A Shares, representing Class A ordinary shares at par value HK\$1.00 per share, per US\$1,000 principal amount of the Note (equivalent to an initial conversion price of approximately US\$35.83 per Class A Share), subject to adjustment as described in the respective Subscription Agreement.

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15. CONVERTIBLE SENIOR NOTES (continued)

On October 25, 2018, the Company and the note holder entered into a Note Repurchase Agreement pursuant to which the Company issued five replacement notes in the total amount of US\$150,000 to the same note holder (“New November 2022 Notes”), together with US\$38,860 paid in cash in satisfaction of the November 2022 Notes. The New November 2022 Notes have the same terms as the November 2022 Notes, except for the change of principal amount from US\$200,000 to US\$150,000.

The December 2018 Notes, the September 2022 Notes, the November 2022 Notes and the New November 2022 Notes bear interest at the rate of 2.00%, 1.50%, 1.50% and 1.50% per annum, respectively, payable semi-annually. The December 2018 Notes, September 2022 Notes, November 2022 Notes and New November 2022 Notes are collectively referred to as the “Notes”.

The Company intends to use the proceeds of the Notes for general corporate purposes, including development of new products and services, working capital, capital expenditures, business expansion and potential business acquisitions, technologies and/or products.

The Notes are senior unsecured obligations and rank (i) senior in right of payment to any of the Company’s indebtedness that is expressly subordinated in right of payment to the Notes; (ii) equal in right of payment to any of the Company’s unsecured indebtedness that is not so subordinated; (iii) effectively junior in right of payment to any of the Company’s secured indebtedness to the extent of the value of the assets securing such indebtedness; and (iv) structurally junior to all indebtedness and other liabilities of the subsidiaries or consolidated controlled entities of the Company.

The issuance costs of US\$9,545, US\$355 and US\$711 of the December 2018 Notes, the September 2022 Notes and the November 2022 Notes, respectively, were amortized as interest expense using the effective interest rate method through the maturity date of the respective Notes.

The principal amount and unamortized discount/premium and debt issuance costs as of December 31, 2017 and 2018 were as follows:

	As of December 31,	
	2017	2018
	US\$	US\$
Principal amount	305,700	250,000
Unamortized (discount)/premium and debt issuance costs	(8,635)	4,435
	<u>297,065</u>	<u>254,435</u>

The effective interest rate was 2.86%, 1.56%, 2.46% and 0.69% for the December 2018 Notes, the September 2022 Notes, the November 2022 Notes and the New November 2022 Notes, respectively. For the years ended December 31, 2016, 2017 and 2018, the Company recognized interest expense related to the Notes of US\$17,001, US\$6,395 and US\$6,154, respectively.

Accounting treatment

The Notes were originally recorded as long-term debt. The conversion option was not required to be bifurcated because the conversion options of the December 2018 Notes, the September 2022 Notes, the New November 2022 Notes are indexed to the Company’s ADSs and Class A ordinary shares, respectively, and meet all additional conditions for equity classification. Since the conversion options were not required to be bifurcated, the Company then determined if there were any beneficial conversion features (“BCF”) in accordance with ASC 470-20. The Company assessed the embedded conversion option feature of the December 2018 Notes and the September 2022 Notes and concluded that there is no BCF because the effective conversion price of the December 2018 Notes and the September 2022 Notes exceeded the fair value of the Company’s ADSs and Class A ordinary shares at their respective commitment dates. For the November 2022 Notes, the Company recognized a BCF of US\$12,113 through a credit to additional paid-in capital because the fair value per Class A ordinary share of US\$38.00 exceeded the most favorable conversion price of US\$35.83 at the commitment date on November 4, 2015. The resulting discount of US\$12,113 to the November 2022 Notes is then accreted to the redemption value as interest expense using the effective interest method through the consolidated statements of comprehensive income (loss) over the term of the November 2022 Notes. The Company did not reassess the BCF upon the exchange of the November 2022 Notes with the New November 2022 Notes since the exchange is not accounted for as an extinguishment.

In connection with the make-whole fundamental change provision within the Notes agreements, the number of ADSs and Class A ordinary shares issuable upon conversion of the Notes will be increased if the Holders decide to convert. As (i) the fair value of the ADSs into which the December 2018 Notes is convertible plus the make-whole ADSs and (ii) the fair value of the Class A ordinary shares into which the September 2022 Notes, the November 2022 Notes and the New November 2022 Notes are convertible plus the make-whole Class A ordinary shares, respectively, do not approximate the fair value at the settlement date, the make-whole features are not indexed to the Company’s ADSs for the December 2018 Notes and Class A ordinary shares for the September 2022, the November 2022 Notes and the New November 2022 Notes, and are required to be bifurcated. The fair values of the make-whole features were insignificant for the years ended December 31, 2016, 2017 and 2018.

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15. CONVERTIBLE SENIOR NOTES (continued)

The Company evaluated the embedded contingent redemption features contained in the Notes in accordance with ASC 815. The contingent redemption features were not required to be bifurcated because they are considered to be clearly and closely related to the debt host, as the Notes were not issued at a substantial discount and are puttable at par.

The Company evaluated the contingent interest features contained in the Notes in accordance with ASC 815 to determine if these features require bifurcation. Certain embedded contingent interest features are not considered to be clearly and closely related to the debt host and met the definition of a derivative. Accordingly, these embedded contingent interest features were bifurcated from the Notes on the issuance date, and their fair values were insignificant for the years ended December 31, 2016, 2017 and 2018. For the embedded contingent interest features not bifurcated from the December 2018 Notes, the September 2022 Notes, the November 2022 Notes and the New November 2022 Notes, the Company determined whether the additional interest payments need to be accrued as a liability in accordance with ASC 450. Since the likelihood of occurrence of such default events is remote, the Company determined that a liability was not probable and no accrual was made as of December 31, 2017 and 2018. The Company will continue to assess the accrual for these additional interest payment liabilities at each reporting date.

The Company evaluated the contemporaneous exchange of cash between the Company and the note holder from issuance of New November 2022 Notes and satisfaction of the November 2022 Notes pursuant to ASC 470-50 and concluded that they are not substantially different. The Company determined a new effective interest rate at the repurchase date based on the carrying amount and the revised cash flows.

As of December 31, 2018, aggregate future principal payments for long-term debt, including short-term and long-term loans (Note 12), and convertible senior notes, were as follows:

	US\$
2019	297,811
2020	14,363
2021	10,363
2022	260,363
2023 and thereafter	90,862
	673,762

16. SHAREHOLDERS’ EQUITY

Ordinary Shares

Upon completion of the Company’s initial public offering (“IPO”) in September 2010, the Company’s ordinary shares were converted into 50,767,426 Class A ordinary shares and 25,298,329 Class B ordinary shares. The Memorandum and Articles of Association were amended and restated such that the authorized share capital consisted of 600,000,000 ordinary shares at a par value of HK\$1.00 per share.

In 2015, the Company completed various follow-on offerings which resulted in 70,736,679 Class A ordinary shares issued and outstanding as of December 31, 2015.

The rights of the holders of Class A and Class B ordinary shares are identical, except with respect to voting rights. Each Class A ordinary share is entitled to one vote per share whereas each Class B ordinary share is entitled to 10 votes per share. Each Class B ordinary share is convertible into one Class A ordinary share at any time by its holder, but Class A ordinary shares are not convertible into Class B ordinary shares under any circumstances. Upon any transfer of Class B ordinary shares by a Class B ordinary shareholder to any person or entity which is not an affiliate of such holder, such Class B ordinary shares will be automatically and immediately converted into the equal number of Class A ordinary shares.

No class B ordinary shares were converted into Class A ordinary shares for the years ended December 31, 2016, 2017 and 2018.

Treasury stock

Treasury stock represents shares repurchased and held by the Company. Treasury stock is accounted for under the cost method. As of December 31, 2017 and 2018, under the repurchase plan, the Company has repurchased an aggregate of 7,065,058 Class A ordinary shares on the open market for a total cash consideration of US\$136,615. The repurchased shares are classified as “treasury stock” in shareholders’ equity on the Company’s consolidated balance sheets.

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16. SHAREHOLDERS’ EQUITY (continued)

Restricted net assets

The Company’s ability to pay dividends is primarily dependent on the Company receiving distributions of funds from its subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Company’s PRC subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the Company’s PRC subsidiaries.

In accordance with the PRC Regulations on Enterprises with Foreign Investment and its articles of association, a foreign invested enterprise established in the PRC is required to provide certain statutory reserves, namely general reserve fund, the enterprise expansion fund and staff welfare and bonus fund which are appropriated from net profit as reported in the enterprise’s PRC statutory accounts. A foreign invested enterprise is required to allocate at least 10% of its annual after-tax profit to the general reserve until such reserve has reached 50% of its respective registered capital based on the enterprise’s PRC statutory accounts. Appropriations to the enterprise expansion fund and staff welfare and bonus fund are at the discretion of the board of directors for all foreign invested enterprises. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. The WOFEs were established as foreign invested enterprises and therefore are subject to the above mandated restrictions on distributable profits.

Additionally, in accordance with the Company Law of the PRC, a domestic enterprise is required to provide a statutory common reserve of at least 10% of its annual after-tax profit until such reserve has reached 50% of its respective registered capital based on the enterprise’s PRC statutory accounts. A domestic enterprise is also required to provide a discretionary surplus reserve, at the discretion of the board of directors, from the profits determined in accordance with the enterprise’s PRC statutory accounts. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. The PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries were established as domestic invested enterprises and therefore are subject to the above mentioned restrictions on distributable profits.

As a result of these PRC laws and regulations that require annual appropriations of 10% of after-tax income to be set aside prior to payment of dividends as general reserve fund, the Company’s PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company. Amounts restricted are net assets of the Company’s PRC subsidiaries, as determined pursuant to PRC generally accepted accounting principles, totaling US\$983,333 and US\$885,152 as of December 31, 2017 and 2018, respectively. Therefore, in accordance with Rules 504 and 4.08(e)(3) of Regulation S-X, the condensed parent company only financial statements as of December 31, 2017 and 2018 and for each of the three years in the period ended December 31, 2018 are disclosed in Note 24.

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17. TAXATION

Cayman Islands

Under the current laws of the Cayman Islands, the Company and subsidiaries incorporated in the Cayman Islands are not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands (“BVI”)

Under the current laws of the BVI, subsidiaries incorporated in the BVI are not subject to tax on income or capital gains. In addition, upon payments of dividends by these companies to their shareholders, no BVI withholding tax will be imposed.

Hong Kong

Under the Hong Kong tax laws, subsidiaries in Hong Kong are subject to the Hong Kong profits tax rate at 16.5% and they are exempted from income tax on their foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends. A two-tiered profits tax rates regime was introduced in 2018 where the first HK\$2 million of assessable profits earned by a company will be taxed at half of the current tax rate (8.25%) whilst the remaining profits will continue to be taxed at 16.5%. There is an anti-fragmentation measure where each group will have to nominate only one company in the group to benefit from the progressive rates. No provision for Hong Kong profits tax has been made in the financial statements as the subsidiaries in Hong Kong have no assessable profits for the three years ended December 31, 2018.

United States of America

On December 22, 2017, the Tax Act was enacted and contains significant changes to U.S. income tax law. Effective in 2018, the Tax Act reduces the U.S. statutory tax rate from 35% to 21% and creates new taxes focused on foreign-sourced earnings and related-party payments, including the creation of the base erosion anti-abuse tax and a new tax on global intangible low-taxed income (“GILTI”).

The Securities and Exchange Commission (SEC) staff issued SAB 118 on December 22, 2017, which allows companies to record provisional amounts during a measurement period not to extend beyond one year of the enactment date.

The Tax Act reduces the U.S. statutory tax rate from 35% to 21% for years after 2017. Accordingly, the Company re-measured its deferred taxes as of December 31, 2017, to reflect the reduced rate that will apply in future periods when these deferred taxes are settled or realized. As Best Work Holdings (New York) LLC. is loss making since incorporated therefor the Company recognized a deferred tax asset of US\$13,834 to reflect the reduced U.S. tax rate and full valuation allowance is provided and corresponding remeasurement were made to unrecognized tax benefit and valuation allowance.

Singapore

A subsidiary was incorporated in Singapore in November 2014 and does not conduct any substantive operations of its own. No provision for Singapore profits tax has been made in the financial statements as this entity has no assessable profits for the three years ended December 31, 2018.

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17. TAXATION (continued)

China

In March 2007, a new enterprise income tax law (the “New EIT Law”) in the PRC was enacted which became effective on January 1, 2008. The New EIT Law applies a unified 25% enterprise income tax (“EIT”) rate to both foreign invested enterprises and domestic enterprises, unless a preferential EIT rate is otherwise stipulated. On April 14, 2008, relevant governmental regulatory authorities released further qualification criteria, application procedures and assessment processes for meeting the High and New Technology Enterprise (“HNTE”) status under the New EIT Law which would entitle qualified and approved entities to a favorable EIT tax rate of 15%. In April 2009 and June 2017, the State Administration for Taxation (“SAT”) issued Circular Guoshuihan [2009] No. 203 (“Circular 203”) and SAT Announcement [2017] No. 24 (“Announcement 24”) stipulating that entities which qualified for the HNTE status should apply with in-charge tax authorities to enjoy the reduced EIT rate of 15% provided under the New EIT Law starting from the year when the new HNTE certificate becomes effective. The HNTE certificate is effective for a period of three years and can be renewed for another three years. Subsequently, an entity needs to re-apply for the HNTE status in order to be able to enjoy the preferential tax rate of 15%.

The Company obtained new HNTE certificates for its various subsidiaries i.e. SouFun Media, Beijing Zhong Zhi Shi Zheng, SouFun Network, Beijing Technology, Beijing JTX Technology and Hong An Tu Sheng in November 2015 and subsequently renewed in September and October 2018. Therefore, these six subsidiaries can enjoy the preferential tax rate of 15% in years 2015, 2016 and 2017. The Company newly applied for the HNTE status for Beijing Tuoshi in 2016 and received the new HNTE certificates in December 2016. Beijing Tuoshi can enjoy the preferential tax rate of 15% for the three years ended December 31, 2018. The Company newly applied for the HNTE status for Beijing Li Man Wan Jia, Beijing Hua Ju Tian Xia and Beijing Zhong Zhi Xun Bo in 2018 and received the new HNTE certificates in September, September and October 2018, respectively. Beijing Li Man Wan Jia, Beijing Zhong Zhi Xun Bo and Beijing Hua Ju Tian Xia can enjoy the preferential tax rate of 15% in 3 years since 2018. The Company newly applied for the Xinjiang Huoerguosi Economic and Technological Development Zone tax preference status for Xinjiang Zhongzhi in 2017 and received the certificates in September 2017. Xinjiang Zhongzhi can enjoy the preferential tax rate of 0% in 4 years since 2017.

If any entities fail to maintain the HNTE qualification under the New EIT Law, they will no longer qualify for the preferential tax rate of 15%, which could have a material and adverse effect on the Company’s results of operations and financial position provided that they do not qualify for any other preferential tax treatment. Historically, the abovementioned PRC subsidiaries have successfully obtained or renewed the HNTE certificates when the previous certificates had expired.

Subsequent to government approval in May 2014, Beijing Li Man Wan Jia, Beijing Zhong Zhi Xun Bo and Beijing Hua Ju Tian Xia obtained the Software Enterprise status with effect from January 1, 2013. Accordingly, these three subsidiaries are entitled to the two-year EIT exemption for years 2013 and 2014 and a reduced EIT rate of 12.5% for years 2015, 2016 and 2017.

Moreover, the current EIT Law treats enterprises established outside of China with “effective management and control” located in the PRC as PRC resident enterprises for tax purposes. The term “effective management and control” is generally defined as exercising overall management and control over the business, personnel, accounting, properties, etc. of an enterprise. The Company, if considered a PRC resident enterprise for tax purposes, would be subject to the PRC EIT at the rate of 25% on its worldwide income for the period after January 1, 2008. As of December 31, 2017 and 2018, the Company had not accrued for PRC tax on such basis. We will continue to monitor our tax status.

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17. TAXATION (continued)

Income (loss) before income taxes consisted of:

	For the Years Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
PRC	(136,773)	56,101	(89,670)
Non-PRC	(7,878)	(12,995)	(39,685)
	<u>(144,651)</u>	<u>43,146</u>	<u>(129,355)</u>

Income tax expenses (benefits) comprised:

	For the Years Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Current tax expense	27,685	21,759	6,825
Deferred tax benefit	(2,701)	(317)	(21,271)
	<u>24,984</u>	<u>21,442</u>	<u>(14,446)</u>

A reconciliation between the amount of income tax expenses (benefits) and the amount computed by applying the PRC statutory tax rate to income (loss) before income taxes was as follows:

	For the Years Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Income (loss) before income taxes	(144,651)	43,146	(129,355)
Income tax at applicable tax rate of 25%	(36,163)	10,786	(32,339)
Effect of international tax rate differences	(598)	472	6,891
Non-deductible expenses	24,135	7,360	19,427
Non-taxable income	-	-	(1,145)
Effect of tax holidays or preferential tax rates	(5,759)	(12,001)	(6,557)
Effect of tax rate changes	-	(1,725)	-
Investment basis difference in the PRC Domestic Entities	(2,757)	2,696	-
Withholding tax	-	-	11,720
Research and development super-deduction	-	-	(3,260)
Changes in valuation allowance	30,856	8,849	(1,707)
Expiration of loss carry forwards	-	-	101
Unrecognized tax benefits	-	(4,302)	(8,881)
Interest and penalties on unrecognized tax benefits	15,270	9,307	1,304
	<u>24,984</u>	<u>21,442</u>	<u>(14,446)</u>

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17. TAXATION (continued)

A roll-forward of unrecognized tax benefits, exclusive of related interest and penalties, was as follows:

	As of December 31,		
	2016 US\$	2017 US\$	2018 US\$
Balance at beginning of year	70,296	78,933	79,436
Increase relating to prior year tax positions	5,070	4,192	577
Increase relating to current year tax positions	4,769	10,666	9,183
Decrease relating to reversal of prior years' tax position	-	(14,102)	(1,821)
Decrease relating to expiration of applicable statute of limitations	-	(4,586)	(9,220)
Foreign currency translation adjustments	(1,202)	4,333	(3,160)
Balance at end of year	<u>78,933</u>	<u>79,436</u>	<u>74,995</u>

As of December 31, 2017 and 2018, the Company had recorded US\$144,915 and US\$137,904 as an accrual for unrecognized tax benefits and related interest and penalties, respectively, which is included in the account of “Other non-current liabilities”. As of December 31, 2017 and 2018, unrecognized tax benefits of US\$77,561 and US\$72,608 respectively, would impact the effective tax rate if recognized. The final outcome of the tax uncertainty is dependent upon various matters including tax examinations, interpretation of tax laws or expiration of statute of limitations. However, due to the uncertainties associated with the status of examinations, including the protocols of finalizing audits by the relevant tax authorities, there is a high degree of uncertainty regarding the future cash outflows associated with these tax uncertainties. The amount of unrecognized tax benefits may change in the next twelve months, pending clarification of current tax law or audit by the tax authorities. However, a reliable estimate of the range of the possible change cannot be made at this time.

For the years ended December 31, 2016, 2017, and 2018, the Company recognized US\$15,270, US\$9,593 and US\$1,304 in income tax expenses for interest and penalties related to uncertain tax positions. Accrued interest and penalties related to unrecognized tax benefits were US\$67,355 and US\$65,296 as of December 31, 2017 and 2018, respectively.

The Company’s PRC entities have been subject to the New EIT Law since January 1, 2008. The PRC tax authorities, US tax authorities and Hong Kong tax authorities have up to five years, three years and six years, respectively, to conduct examinations of the Company’s tax filings. Accordingly, the PRC subsidiaries’ tax years 2013 through 2018, the US subsidiaries’ tax years 2015 through 2018 and the Hong Kong subsidiaries’ tax years 2012 through 2018 remain open to examination by the respective taxing jurisdictions.

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17. TAXATION (continued)

The aggregate amount and per share effect of tax holidays and preferential tax rates were as follows:

	For the Years Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
The aggregate amount	(5,759)	(12,001)	(6,557)
The aggregate effect on basic and diluted earnings per share for Class A and Class B ordinary shares:			
-Basic	0.06	0.14	0.07
-Diluted	0.06	0.13	0.07

The components of deferred taxes were as follows:

	As of December 31,	
	2017	2018
	US\$	US\$
Deferred tax assets		
Net operating losses	74,040	71,308
Impairment of loans receivable	274	933
Overcharged advertising and promotion fee	87	1,061
Fixed assets depreciation	49	208
Share based compensation	6,167	-
Less: Valuation allowance	(73,015)	(71,308)
Total deferred tax assets, net	7,602	2,202
Deferred tax liabilities		
Investment basis in the PRC entities	(61,961)	(72,088)
BaoAn Acquisition – Property	(13,309)	(12,191)
Investments	(51,229)	(13,160)
Interest capitalization	(142)	(139)
Deferred tax liabilities	(126,641)	(97,578)

As of December 31, 2018, the Company had net operating losses of US\$37,243 from the Company’s subsidiaries incorporated in the US, which can be carried forward indefinitely to offset future taxable income. The remaining accumulated net operating losses of US\$238,577 arose from several of its PRC entities, which can be carried forward to offset future taxable profit and will expire in years 2019 to 2023 if not utilized.

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17. TAXATION (continued)

Deferred tax liabilities arising from undistributed earnings

As of December 31, 2017 and 2018, a portion of the aggregate undistributed earnings of the PRC subsidiaries that were available for distribution to non-PRC parent companies was not considered to be indefinitely reinvested under ASC 740-30, “Income Taxes: Other Consideration or Special Areas”. In accordance with the New EIT Law, a withholding income tax will be imposed on the PRC subsidiaries when dividends are distributed to their non-PRC parent companies. The withholding tax rate is 10% unless a foreign investor’s tax jurisdiction has a tax treaty with the PRC that provides for a lower withholding tax rate and the foreign investor is recognized as the beneficial owner of the income under the relevant tax rules. Deferred tax liabilities amounting to US\$28,716 and US\$40,436 were provided for the withholding tax of the PRC entities as of December 31, 2017 and 2018, respectively.

The deferred tax liabilities arising from the aggregate undistributed earnings of the PRC Domestic Entities and the PRC Domestic Entities’ subsidiaries that are available for distribution to the PRC tax resident parent companies, that is, the WOFEs, amounted to US\$33,246 and US\$31,652 as of December 31, 2017 and 2018, respectively.

As of December 31, 2017 and 2018, the Company did not provide for deferred tax liabilities and foreign withholding taxes on certain undistributed earnings of its PRC subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries that were available for distribution to non-PRC parent companies on the basis of its intent to permanently reinvest these foreign subsidiaries’ earnings. The cumulative amount of such temporary difference was US\$338,695 and US\$319,483 as of December 31, 2017 and 2018, respectively. The amount of the unrecognized deferred tax liability for temporary differences related to investments in PRC subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries that are essentially permanent in duration was US\$33,869 and US\$31,948 as of December 31, 2017 and 2018, respectively.

18. SHARE-BASED PAYMENTS

Stock related award incentive plan of 1999

On September 1, 1999, the Company’s shareholders approved the 1999 Stock Related Award Incentive Plan (the “1999 Plan”). Under the 1999 Plan, the Company may issue up to 12% of the fully diluted ordinary shares of the Company to its directors and employees. The purpose of the 1999 Plan is to provide additional incentive and motivation to its directors and employees, through an equity interest in the Company, to work towards increasing the value of the Company. The 1999 Plan provides for accelerated vesting, subject to certain conditions, if there is a change in control. The 1999 Plan has no stated expiry date.

The exercise price, vesting and other conditions of individual awards are determined by the executive chairman of the board of directors. The awards are typically subject to a three-year to a four-year service vesting condition and expire 10 or 15 years after the grant date. In addition, the grantee must return all awards and any proceeds from the sale of the awards if he/she violates certain provisions including a non-compete condition for a period of 2 years after cessation of employment with the Company. The non-compete condition does not give rise to an in-substance service condition.

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18. SHARE-BASED PAYMENTS (continued)

Stock related award incentive plan of 2010

On August 4, 2010, the Company’s board of directors and shareholders approved the 2010 Stock Related Award Incentive Plan (the “2010 Plan”). Under the 2010 Plan, the Company may issue up to 10% of the total number of ordinary shares, including ordinary shares issuable upon conversion of any preferred shares to its directors and employees. The purpose of the 2010 Plan was to recognize and acknowledge the contributions made to the Company by eligible employees and to promote the success of the Company’s business. The 2010 Plan allows the board of directors, or its designated committee, to establish the performance criteria when granting stock options on the basis of any one of, or combination of, increase in share price, earnings per share, total shareholder return, return on equity, return on assets, return on investment, net operating income, cash flow, revenue, economic value added, personal management objectives, or other measures of performance selected by the Company’s board of directors, or its designated committee. Partial achievement of the specified criteria may result in a vesting corresponding to the degree of achievement as specified in the detail rules.

The exercise price, vesting and other conditions of individual awards are determined by the executive chairman of the board of directors, except for awards to officers which are determined by the board of directors or the compensation committee. The awards are typically subject to a four-year service vesting condition and multiple performance conditions with a contractual life of ten years. In addition, the grantee must return all awards and any proceeds from the sale of the awards if he/she violates certain provisions.

Stock related award incentive plan of 2015

On June 4, 2015, the Company’s board of directors and shareholders approved the 2015 Stock Related Award Incentive Plan (the “2015 Plan”). Under the 2015 Plan, the Company may issue up to 1.5% of the total number of ordinary shares, including ordinary shares issuable upon conversion of any preferred shares to its directors and employees. The purpose of the 2015 Plan was to recognize and acknowledge the contributions made to the Company by eligible employees and to promote the success of the Company’s business. The 2015 Plan allows the board of directors, or its designated committee, to establish the performance criteria when granting stock options on the basis of any one of, or combination of, increase in share price, earnings per share, total shareholder return, return on equity, return on assets, return on investment, net operating income, cash flow, revenue, economic value added, personal management objectives, or other measures of performance selected by the Company’s board of directors, or its designated committee. Partial achievement of the specified criteria may result in a vesting corresponding to the degree of achievement as specified in the detail rules.

The exercise price, vesting and other conditions of individual awards are determined by the executive chairman of the board of directors, except for awards to officers which are determined by the board of directors or the compensation committee. The awards are typically subject to a four-year service vesting condition and multiple performance conditions with a contractual life of ten years. In addition, the grantee must return all awards and any proceeds from the sale of the awards if he/she violates certain provisions.

On August 29, 2017 (the “2017 Replacement Date”), the Company’s board of directors approved to replace 1,377,730 share options granted during the years ended December 31, 2015 and 2016 under the 2015 Plan to 200 employees with 153,036 options and 1,224,694 restricted shares (the “Replacement Awards”). The exercise price of 153,036 options was reduced from US\$27.2~US\$30.0 per share to US\$18.1 per share. The replacement awards were subject to graded vesting over four years from the Replacement Date, in which 25% of the awards vest at the end of each of the next four years. The total incremental share-based compensation of US\$12,537 resulting from the modification is recognized ratably over the new requisite service period. The total unamortized share-based compensation of US\$7,447 resulting from the modification is recognized ratably over the original requisite service period.

On December 30, 2018 (the “2018 Replacement Date”), the Company’s board of directors approved to replace 252,500 share options granted during the year ended December 31, 2008 under the 1999 Plan to 5 employees with 252,500 options (the “2018 Replacement Awards”). The expiration date of 252,500 options was extended from December 30, 2018 to December 30, 2028. The replacement awards were fully vested as of the replacement date. The total incremental share-based compensation of US\$619 resulting from the modification is fully recognized during the year ended December 31, 2018.

During 2018, the Company approved to extend the expiration date of an aggregate number of 518,175 share options granted under the 1999 Plan to 10 employees for terms between 2 days and nine years. These stock options expired prior to December 31, 2017. The awards granted are fully vested as of the grant date. These transactions were accounted for as new grant. The total share-based compensation of US\$2,764 resulting is fully recognized during the year ended December 31, 2018.

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18. SHARE-BASED PAYMENTS (continued)

A summary of the equity award activity under the 1999 Plan, 2010 Plan and 2015 Plan for the year ended December 31, 2018 was stated below:

Options Granted to Employees and Directors	Number of Shares	Weighted-Average per Share Exercise Price	Weighted-Average Grant-date Fair Value per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding, December 31, 2017	7,241,667	11.93	5.51	5.01	US\$ 136,242
Granted (new options)	518,175	4.77	5.33	-	
Granted (replacement options)	252,500	5.00	4.20		
Forfeited	(312,156)	21.17	8.55	-	
Expired	(1,125,301)	11.27	5.22	-	
Exercised	(288,331)	10.31	4.33	-	
Replaced	(252,500)	5.00	3.75		
Outstanding, December 31, 2018	<u>6,034,054</u>	10.92	4.57	4.50	US\$ 5,919
Vested and expected to vest at December 31, 2018	<u>6,034,054</u>	10.92	4.57	4.50	US\$ 5,919
Exercisable at December 31, 2018	<u>5,160,774</u>	9.55	3.97	3.98	US\$ 5,919

The aggregate intrinsic value as of December 31, 2018 in the table above represents the difference between the fair value of the Company’s ordinary share at December 31, 2018 and the exercise price.

Total intrinsic value of options exercised for the years ended December 31, 2016, 2017 and 2018 was US\$10,011, US\$ 2,953 and US\$3,979 respectively.

As of December 31, 2018, there was US\$4,447 of unrecognized share-based compensation cost related to equity awards that are expected to be recognized over a weighted-average vesting period of 1.53 years.

The fair value for stock options granted during the year ended December 31, 2018 under the 1999 and 2015 Plan was estimated using the Black-Scholes option pricing model. The volatility assumption was estimated based on the price volatility of the shares of the Company and comparable companies in the internet media business. The expected term was estimated based on the resulting output of the Black-Scholes option pricing model. The risk-free rates were based on the market yield of US Treasury Bonds and Notes with maturity terms equal to the expected term of the option awards. Forfeitures were estimated based on historical experience. The dividend yield of nil are based on the Company’s estimated dividend distribution for the stock options granted during the year ended December 31, 2018.

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18. SHARE-BASED PAYMENTS (continued)

The assumptions used to estimate the fair values of the share options granted were as follows:

	For the Years Ended December 31, 2018
Risk-free interest rate	2.19% to 2.54%
Dividend yield	nil
Expected volatility range	48.22% to 49.24%
Weighted average expected life	0.01 to 5.50 years
Estimated forfeiture rate	-
Fair value of ordinary share	US\$6.00 to US\$27.90

Restricted Shares

A summary of the restricted shares for the year ended December 31, 2018 was stated below:

Restricted Shares Granted to Employees and Directors	Number of Shares	Weighted- Average Grant date Fair Value per Share
Outstanding, December 31, 2017	1,604,768	17.55
Granted	19,500	25.05
Forfeited	(201,439)	17.91
Vested	(356,194)	17.55
Unvested, December 31, 2018	1,066,635	17.62

Total intrinsic value of restricted shares vested for the year ended December 31, 2018 was US\$4,119.

As of December 31, 2018, there was US\$9,527 of unrecognized share-based compensation cost related to restricted shares that are expected to be recognized over a weighted-average vesting period of 2.67 years.

Total share-based compensation expense of share-based awards granted to employees and directors was as follows:

	For the Years Ended December 31,		
	2016	2017	2018
	US\$	US\$	US\$
Cost of revenues	443	364	506
Selling expenses	512	479	405
General and administrative expenses	5,597	6,375	13,171
	6,552	7,218	14,082

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19. RELATED PARTY TRANSACTIONS

a) Related Parties

<u>Name of Related Parties</u>	<u>Relationship with the Company</u>
Vincent Tianquan Mo	Executive chairman of the board of directors and chief executive officer
Richard Jiangong Dai	Director of the board up until February 25, 2016
Wall Street Global Training Center, Inc.	A company under the control of Vincent Tianquan Mo and two other independent directors
Beihai Silver Beach 1 Hotel and Property Management Company, Ltd. ("Beihai Silver Beach")	A company under the control of Vincent Tianquan Mo
Che Tian Xia Company Ltd.	A company under the control of Vincent Tianquan Mo and Richard Jiangong Dai
Guangxi Wharton International Hotel ("Guangxi Wharton")	A company under the control of Vincent Tianquan Mo
Research Center on Natural Conservation, Inc. ("Research Center")	A company under the control of Vincent Tianquan Mo
Upsky Long Island Hotel LLC ("Upsky Long Island")	A company under the control of Vincent Tianquan Mo
Upsky San Francisco Airport Hotel LLC (formerly known as "Crowne Plaza San Francisco-International Airport") ("Upsky San Francisco")	A company under the control of Vincent Tianquan Mo
Upsky Lighthouse Hotel LLC ("Upsky Lighthouse")	A company under the control of Vincent Tianquan Mo
Nanning Xuyin Business Co., Ltd. ("Nanning Xuyin")	A company under the control of Vincent Tianquan Mo
New York Military Academy	A company of which Vincent Tianquan Mo is a director

b) The Company had the following related party transactions for the years ended December 31, 2016, 2017 and 2018:

	<u>For the Years Ended December 31,</u>		
	<u>2016</u>	<u>2017</u>	<u>2018</u>
	<u>US\$</u>	<u>US\$</u>	<u>US\$</u>
Office building leased from:			
- Vincent Tianquan Mo	154	159	162
Management fee incurred:			
- Beihai Silver Beach	421	501	523
Hotel service fee incurred:			
- Beihai Silver Beach	113	-	-
- Upsky San Francisco	17	-	-
- Upsky Long Island	81	-	-
Training fee incurred			
- New York Military Academy	111	-	-

Free rental space to Wall Street Global Training Center, Inc.

Starting from 2011, the Company provided Wall Street Global Training Center, Inc. with office space of approximately 220 square feet in the Company's building located in New York City, United States of America, free of charge. The estimated fair value of the free office space was insignificant for each of the years ended December 31, 2016, 2017 and 2018.

Office building leased from Vincent Tianquan Mo

The Company entered into an agreement with Vincent Tianquan Mo to lease a building owned by him for a 10-year period for nil consideration starting from March 1, 2012. The deemed rental expense of US\$154 and US\$159 and US\$162, and the corresponding shareholder contribution were included in the consolidated financial statements for the years ended December 31, 2016, 2017 and 2018, respectively.

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21. COMMITMENTS AND CONTINGENCIES

Capital commitment

The Company has commitments for the acquisition and construction of fixed assets of US\$10,665 as of December 31, 2018, which are scheduled to be paid within one year.

Operating lease commitments

As of December 31, 2018, the Company had future minimum lease payments under non-cancellable operating leases with initial terms in excess of one year as follows:

	US\$
2019	4,368
2020	2,198
2021	181
2022	18
2023 and thereafter	37
	6,802

Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases. The Company’s lease arrangements have no renewal options, rent escalation clauses, restrictions or contingent rents and are all conducted with third parties, except for the building leased from a related party as disclosed in Note 19. For the years ended December 31, 2016, 2017 and 2018, total rental expenses for all operating leases were US\$66,330, US\$27,832 and US\$9,678, respectively.

Contingencies

In April and May 2018, the Company was sued as one of the defendants for trade mark infringement by a third party, alleging the claim of damage in the amount of RMB 99.9 million, RMB 300 million, and RMB 500 million, respectively. The cases are still ongoing at the Beijing Intellectual Property Court. The Company is vigorously contesting the allegations. In February 2019, the Company was served with a subpoena from a court in Beijing, in which a third party claimed that a contract the Company entered into was invalid. Pursuant to such contract, the Company received shares of Guilin Bank from a debtor’s nominee to discharge its indebtedness (See Note 5). The debtor subsequently alleged that such contract was invalid because the transfer price of such assets was below the fair market value. The Company intends to vigorously contest the allegation.

In accordance with ASC Topic 450, no accrual of loss contingency was accrued as of December 31, 2018 since it is not probable that a liability has been incurred because of these legal proceedings and the amount of loss cannot be reasonably estimated.

Income taxes

As of December 31, 2018, the Company had accrued US\$137,904 for unrecognized tax benefits (Note 17). The final outcome of the tax uncertainty is dependent upon various matters including tax examinations, interpretation of tax laws or expiration of statute of limitations. However, due to the uncertainties associated with the status of examinations, including the protocols of finalizing audits by the relevant tax authorities, there is a high degree of uncertainty regarding the future cash outflows associated with these tax uncertainties.

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22. SEGMENT REPORTING

In accordance with ASC 280, “Segment Reporting”, the Company’s chief operating decision maker has been identified as the executive chairman of the board of directors and chief executive officer, who makes resource allocation decisions and assesses performance based on the Company’s consolidated results. As a result, the Company has only one reportable segment.

Geographic disclosures

As the Company generates substantially all of its revenues from customers domiciled in the PRC, no geographical segments are presented. All of the Company’s long-lived assets are located in the PRC except for buildings and land (i.e. including the construction in progress) with net book values of US\$104,327 and US\$112,713 as of December 31, 2017 and 2018, respectively, which are located in the United States of America.

23. EARNINGS (LOSS) PER SHARE

Basic and diluted earnings (loss) per share for each of the years presented are calculated as follows:

	For the Years Ended December 31,					
	2016		2017		2018	
	US\$ Class A	US\$ Class B	US\$ Class A	US\$ Class B	US\$ Class A	US\$ Class B
Earnings (loss) per share - basic:						
Numerator:						
Allocation of net income (loss) attributable to ordinary shareholders used in calculating income (loss) per ordinary share-basic	(125,531)	(44,104)	15,736	5,971	(83,400)	(31,511)
Denominator:						
Weighted average number of ordinary shares outstanding used in calculating basic earnings (loss) per share	69,269,099	24,336,650	64,139,015	24,336,650	64,412,782	24,336,650
Denominator used for basic earnings (loss) per share	69,269,099	24,336,650	64,139,015	24,336,650	64,412,782	24,336,650
Earnings (loss) per share - basic	<u>(1.81)</u>	<u>(1.81)</u>	<u>0.25</u>	<u>0.25</u>	<u>(1.29)</u>	<u>(1.29)</u>
Earnings (loss) per share - diluted:						
Numerator:						
Allocation of net income (loss) attributable to ordinary shareholders used in calculating income (loss) per ordinary share	(125,531)	(44,104)	15,736	5,971	(83,400)	(31,511)
Allocation of net income (loss) attributable to ordinary shareholders used in calculating income (loss) per ordinary share-diluted after assumed conversion	(125,531)	(44,104)	15,736	5,971	(83,400)	(31,511)
Reallocation of net income (loss) attributable to ordinary shareholders as a result of conversion of Class B to Class A shares	(44,104)	-	5,971	-	(31,511)	-
Net income (loss) attributable to ordinary shareholders	(169,635)	(44,104)	21,707	5,971	(114,911)	(31,511)
Denominator:						
Weighted average number of ordinary shares outstanding used in calculating basic earnings (loss) per share	69,269,099	24,336,650	64,139,015	24,336,650	64,412,782	24,336,650
Conversion of Class B to Class A ordinary shares	24,336,650	-	24,336,650	-	24,336,650	-
Employee stock options	-	-	3,110,012	-	-	-
Denominator used for diluted earnings (loss) per share	93,605,749	24,336,650	91,585,677	24,336,650	88,749,432	24,336,650
Earnings (loss) per share -diluted	<u>(1.81)</u>	<u>(1.81)</u>	<u>0.24</u>	<u>0.24</u>	<u>(1.29)</u>	<u>(1.29)</u>

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23. EARNINGS (LOSS) PER SHARE (continued)

The repurchased but not retired ordinary shares are accounted as treasury stock which are not considered outstanding and excluded from the calculation of basic earnings (loss) per share since the date of repurchase.

Options to purchase 6,034,054 shares of common stock at US\$1.95~US\$30 per share and 1,066,635 restricted shares were outstanding in 2018 but were not included in the computation of diluted EPS due to anti-dilutive effect. In addition, 2,790,860 related to the Company’s September 2022 Notes and 4,186,290 related to the Company’s New November 2022 Notes were not included in the calculation of diluted earnings (loss) per share because the impact of inclusion would be anti-dilutive.

In 2017, the number of securities that were not included in the calculation of diluted earnings (loss) per share because the impact of inclusion would be anti-dilutive were as follows: 2,961,570 share options, 290,534 related to the Company’s December 2018 Notes, 2,790,860 related to the Company’s September 2022 Notes and 5,581,720 related to the Company’s November 2022 Notes. As of December 31, 2017, the conversion prices for the December 2018 Notes, the September 2022 Notes and the November 2022 Notes were US\$19.62 per ADS, US\$7.166 per ADS and US\$7.166 per ADS, respectively, as of December 31, 2017. There is no cash conversion rate.

In 2016, the number of securities that were not included in the calculation of diluted earnings (loss) per share because the impact of inclusion would be anti-dilutive were as follows: 5,763,088 employee stock options, 4,153,642 related to the Company’s December 2018 Notes, 2,790,860 related to the Company’s September 2022 Notes and 5,581,720 related to the Company’s November 2022 Notes. As of December 31, 2016, the conversion prices for the December 2018 Notes, the September 2022 Notes and the November 2022 Notes were US\$19.62 per ADS, US\$7.166 per ADS and US\$7.166 per ADS, respectively, as of December 31, 2016. There is no cash conversion rate.

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

24. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION

Condensed balance sheets

	As of December 31,	
	2017	2018
	US\$	US\$
ASSETS		
Cash and cash equivalents	11,801	2,529
Prepayments and other current assets	1,485	98
Amounts due from subsidiaries	8,835	17,056
Total current assets	22,121	19,683
Non-current assets:		
Long-term investments	52,283	30,733
Investment in subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries	992,902	869,895
Restricted cash, non-current	-	1,001
Total non-current assets	1,045,185	901,629
Total assets	1,067,306	921,312
LIABILITIES AND SHAREHOLDERS’ EQUITY		
Current liabilities:		
Short-term loans	-	26,808
Accrued expenses and other liabilities	3,850	2,575
Amounts due to subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries	-	5,722
Convertible notes- current	5,700	-
Total current liabilities	9,550	35,105
Non-current liabilities:		
Convertible senior notes	291,365	254,435
Long-term loans	26,808	37,266
Total non-current liabilities	318,173	291,701
Total liabilities	327,723	326,806
Commitments and contingencies	-	-
Shareholders’ equity:		
Class A ordinary shares, par value HK\$1.00 per share, 600,000,000 shares authorized for Class A and Class B in aggregate, issued shares as of December 31, 2017 and 2018: 71,425,120 and 72,069,645; outstanding shares as of December 31, 2017 and 2018: 64,360,062 and 65,004,587	9,204	9,286
Class B ordinary shares, par value HK\$1.00 per share, 600,000,000 shares authorized for Class A and Class B in aggregate, 24,336,650 shares and 24,336,650 shares issued and outstanding as of December 31, 2017 and 2018, respectively	3,124	3,124
Additional paid-in capital	500,666	517,802
Accumulated other comprehensive income (loss)	137,630	(75,837)
Retained earnings	225,574	276,746
Treasury stock (7,065,058 and 7,065,058 shares as of December 31, 2017 and 2018, respectively.)	(136,615)	(136,615)
Total shareholders’ equity	739,583	594,506
Total liabilities and shareholders’ equity	1,067,306	921,312

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

24. **PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION (continued)**

Condensed statements of comprehensive income (loss)

	For the Years Ended December 31,		
	2016 US\$	2017 US\$	2018 US\$
Revenues	-	-	-
Cost of revenues	-	-	-
Gross profit	-	-	-
General and administrative (expenses) income	3,610	(998)	(9,348)
Operating (loss) income	3,610	(998)	(9,348)
Equity in profits (losses) of subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries	(167,967)	27,339	(85,190)
Foreign exchange gain	832	211	7
Interest income	1,775	196	73
Interest expenses	(17,807)	(7,233)	(7,700)
Change in fair value of securities	10,583	2,736	(14,904)
Investment income	1,571	2,221	2,151
Other-than-temporary impairment on available-for-sale securities	(2,232)	(2,768)	-
Income (loss) before income taxes	(169,635)	21,704	(114,911)
Income tax expenses	-	-	-
Net income (loss)	(169,635)	21,704	(114,911)
Other comprehensive income (loss), net of tax			
Foreign currency translation adjustments	(60,732)	56,571	(46,648)
Amounts reclassified from accumulated other comprehensive income	(10,583)	(2,736)	(1,493)
Unrealized gain on available-for-sale securities	7,326	14,575	1,493
Other comprehensive income recorded by subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries	-	198,263	-
Gain (loss) on intra- entity foreign transactions of long-term-investment nature	(6,996)	1,872	(3,034)
Other comprehensive income (loss), before tax	(70,985)	268,545	(49,682)
Income tax expense related to components of other comprehensive income	-	(49,566)	-
Other comprehensive income (loss), net of tax	(70,985)	218,979	(49,682)
Comprehensive income (loss)	(240,620)	240,683	(164,593)

FANG HOLDINGS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of United States Dollars (“US\$”), except for number of shares and per share data)

24. PARENT COMPANY ONLY CONDENSED FINANCIAL INFORMATION (continued)

Condensed statements of cash flows

	<u>2016</u>	<u>2017</u>	<u>2018</u>
	US\$	US\$	US\$
Net cash provided by (used in) operating activities	117,398	(67,381)	(3,302)
Net cash provided by investing activities	11,575	13,931	8,272
Net cash used in financing activities	(522,057)	(31,179)	(13,241)
Net decrease in cash and cash equivalents	(393,084)	(22,271)	(8,271)
Cash and cash equivalents and restricted cash at beginning of year	427,156	34,072	11,801
Cash and cash equivalents and restricted cash at end of year	<u>34,072</u>	<u>11,801</u>	<u>3,530</u>

Basis of Presentation

For the presentation of the parent company only condensed financial information, the Company records its investment in subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries which it effectively controls through contractual agreements, under the equity method of accounting as prescribed in ASC 323, *Investments-Equity Method and Joint Ventures*. Such investments are presented on the condensed balance sheets as “Investment in subsidiaries, PRC Domestic Entities, and PRC Domestic Entities’ subsidiaries” and the subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries’ profit or loss as “Equity in profits (losses) of subsidiaries, PRC Domestic Entities and PRC Domestic Entities’ subsidiaries” on the condensed statements of comprehensive income (loss). The parent company only condensed financial information should be read in conjunction with the Company’s consolidated financial statements.

25. SUBSEQUENT EVENTS

On January 21, 2019, the Company announced its intention to separate into two publicly traded companies: the spun-off business that will comprise certain portions of the Company’s listing and value-added services, and the retained business that will comprise the Company’s remaining operations, which will continue to be operated by Fang. On May 2, 2019, the board of directors approved the plan to separate CIH, which operates the spun-off business, into an independent publicly traded company. The Company expects the spun-off be completed in the second quarter of 2019.

**SCHEDULE OF CREDITOR'S RIGHTS TRANSFER AGREEMENTS AMONG CERTAIN PRC SUBSIDIARIES OF FANG HOLDINGS LIMITED
AND SHAREHOLDERS OF CERTAIN CONSOLIDATED CONTROLLED ENTITY**

	<u>Date of Agreement</u>	<u>Transferor/Lender</u>	<u>Transferee</u>	<u>Borrower</u>	<u>Consolidated Controlled Entity</u>	<u>Date of Loan Agreement(s)</u>	<u>Amount of Loan</u>
1.	December 20, 2015	Beijing SouFun Network Technology Co., Ltd.	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Jia Tian Xia Advertising Co., Ltd.	March 25, 2010 (retroactive to November 13, 2007)	RMB400,000 RMB100,000
2.	December 20, 2015	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo	Beijing Hua Ju Tian Xia Network Technology Co., Ltd.	December 4, 2014	RMB2,149,385
3.	December 20, 2015	Soufun Media Technology (Beijing) Co., Ltd.	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Internet Information Service Co., Ltd.	May 17, 2004	RMB8,000,000 RMB2,000,000
4.	May 15, 2018	Beijing SouFun Network Technology Co., Ltd.	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Century Jia Tian Xia Technology Development Co., Ltd.	December 19, 2006; March 25, 2010 (retroactive to December 22, 2008)	RMB800,000; RMB7,200,000 RMB200,000; RMB1,800,000
5.	December 20, 2015	Beijing SouFun Network Technology Co., Ltd.	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Li Tian Rong Ze Technology Development Co., Ltd.	March 25, 2010 (retroactive to September 9, 2009)	RMB800,000 RMB200,000
6.	May 15, 2018	Soufun Media Technology (Beijing) Co., Ltd.; Beijing SouFun Network Technology Co., Ltd.	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Science and Technology Development Co., Ltd.	August 17, 2006 (retroactive to December 16, 2005); April 1, 2008 (retroactive to the date of provision of the loan)	RMB1,440,000; RMB7,360,000 RMB360,000; RMB1,840,000
7.	May 15, 2018	Soufun Media Technology (Beijing) Co., Ltd.	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Yi Ran Ju Ke Technology Development Co., Ltd.	July 8, 2011	RMB800,000 RMB200,000
8.	May 15, 2018	Beijing SouFun Network Technology Co., Ltd.	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Shanghai Century Jia Tian Xia Technology Development Co., Ltd.	November 30, 2006	RMB800,000 RMB200,000
9.	May 15, 2018	Beijing SouFun Network Technology Co., Ltd.	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Shanghai China Index Consultancy Co., Ltd.	November 24, 2006	RMB400,000 RMB100,000

SCHEDULE OF EQUITY PLEDGE AGREEMENTS AMONG CERTAIN PRC SUBSIDIARY OF FANG HOLDINGS LIMITED AND SHAREHOLDERS OF A CONSOLIDATED CONTROLLED ENTITY

<u>Date of Agreement</u>	<u>Pledgee</u>	<u>Pledgor</u>	<u>Consolidated Controlled Entity</u>	<u>Pledgor's Equity Interest in Consolidated Controlled Entity</u>	<u>Date of Service Agreement</u>	<u>End Date of Pledge</u>
1. December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Jia Tian Xia Advertising Co., Ltd.	80% 20%	December 20, 2015	December 20, 2025
2. December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo	Beijing Hua Ju Tian Xia Network Technology Co., Ltd.	100%	December 20, 2015	December 20, 2025
3. December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Internet Information Service Co., Ltd.	80% 20%	December 20, 2015	December 20, 2025
4. May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Century Jia Tian Xia Technology Development Co., Ltd.	80% 20%	May 15, 2018	May 15, 2028
5. December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Li Tian Rong Ze Technology Development Co., Ltd.	80% 20%	December 20, 2015	December 20, 2025
6. May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Science and Technology Development Co., Ltd.	80% 20%	May 15, 2018	Two years after the expiry of the exclusive technical consultancy and services agreement between Beijing Tuo Shi Huan Yu and Beijing Technology

7.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Yi Ran Ju Ke Technology Development Co., Ltd.	80% 20%	May 15, 2018	May 15, 2028
8.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai Beijing Century Jia Tian Xia Technology Development Co., Ltd.	Shanghai Century Jia Tian Xia Technology Development Co., Ltd.	1.6% 0.4% 98%	May 15, 2018	May 15, 2028
9.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Shanghai China Index Consultancy Co., Ltd.	80% 20%	May 15, 2018	May 15, 2028
10.	December 30, 2016	Beijing SouFun Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Gu Tian Xia Information Co., Ltd.	96.875% 3.125%	December 30, 2016	December 30, 2026

**SCHEDULE OF SHAREHOLDERS' PROXY AGREEMENTS AMONG CERTAIN PRC SUBSIDIARY OF
FANG HOLDINGS LIMITED, A CONSOLIDATED CONTROLLED ENTITY AND SHAREHOLDERS OF THE CONSOLIDATED CONTROLLED
ENTITY**

	<u>Date of Agreement</u>	<u>Subsidiary of Fang Holdings Limited</u>	<u>Shareholders of Consolidated Controlled Entity</u>	<u>Consolidated Controlled Entity</u>
1.	December 20, 2015 (retroactive to March 16, 2006)	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Jia Tian Xia Advertising Co., Ltd.
2.	December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo	Beijing Hua Ju Tian Xia Network Technology Co., Ltd.
3.	December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Internet Information Service Co., Ltd.
4.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Century Jia Tian Xia Technology Development Co., Ltd.
5.	December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Li Tian Rong Ze Technology Development Co., Ltd.
6.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Science and Technology Development Co., Ltd.
7.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Yi Ran Ju Ke Technology Development Co., Ltd.
8.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai Beijing Century Jia Tian Xia Technology Development Co., Ltd.	Shanghai Century Jia Tian Xia Technology Development Co., Ltd.
9.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Shanghai China Index Consultancy Co., Ltd.
10.	December 30, 2016	Beijing SouFun Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Gu Tian Xia Information Co., Ltd.

SCHEDULE OF OPERATING AGREEMENTS AMONG CERTAIN PRC SUBSIDIARY OF FANG HOLDING LIMITED, A CONSOLIDATED CONTROLLED ENTITY AND SHAREHOLDERS OF THE CONSOLIDATED CONTROLLED ENTITY

Date of Agreement	Subsidiary of Fang Holdings Limited	Shareholder of Consolidated Controlled Entity	Consolidated Controlled Entity	Shareholder's Equity Interest in Consolidated Controlled Entity
1. December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Jia Tian Xia Advertising Co., Ltd.	80% 20%
2. December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo	Beijing Hua Ju Tian Xia Network Technology Co., Ltd.	100%
3. December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Internet Information Service Co., Ltd.	80% 20%
4. May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Century Jia Tian Xia Technology Development Co., Ltd.	80% 20%
5. December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Li Tian Rong Ze Technology Development Co., Ltd.	80% 20%
6. May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Science and Technology Development Co., Ltd.	80% 20%
7. May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Yi Ran Ju Ke Technology Development Co., Ltd.	80% 20%
8. May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai Beijing Century Jia Tian Xia Technology Development Co., Ltd.	Shanghai Century Jia Tian Xia Technology Development Co., Ltd.	1.6% 0.4% 98%
9. May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Shanghai China Index Consultancy Co., Ltd.	80% 20%
10. December 30, 2016	Beijing SouFun Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Gu Tian Xia Information Co., Ltd.	96.875% 3.125%

SCHEDULE OF EXCLUSIVE TECHNICAL CONSULTANCY AND SERVICES AGREEMENTS BETWEEN CERTAIN PRC SUBSIDIARY OF FANG HOLDINGS LIMITED AND A CONSOLIDATED CONTROLLED ENTITY

	<u>Date of Agreement</u>	<u>Party A</u>	<u>Party B</u>	<u>Shareholder of Party B</u>	<u>Services Provided by Party A</u>
1.	December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Beijing Jia Tian Xia Advertising Co., Ltd.	Tianquan Mo Jiangong Dai	<ul style="list-style-type: none"> a. Provision of technical support and professional training for Party B to carry out business; b. Provision of information database support and software products for Party B's business; c. Provision of installation, test, maintenance and technical support for Party B's computer systems; d. Provision of internet office and relative maintenance, and overall security service in relation to website.
2.	December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Beijing Hua Ju Tian Xia Network Technology Co., Ltd.	Tianquan Mo	<ul style="list-style-type: none"> a. Provision of technical support and professional training for Party B to carry out business; b. Provision of information database support and software products for Party B's business; c. Provision of installation, test, maintenance and technical support for Party B's computer systems; d. Provision of internet office and relative maintenance, and overall security service in relation to website.
3.	December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Beijing SouFun Internet Information Service Co., Ltd.	Tianquan Mo Jiangong Dai	<ul style="list-style-type: none"> a. Provision of technical support and professional training for Party B to carry out business; b. Provision of information database support and software products for Party B's business; c. Provision of installation, test, maintenance and technical support for Party B's computer systems; d. Provision of internet office and relative maintenance, and overall security service in relation to website.

4.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Beijing Century Jia Tian Xia Technology Development Co., Ltd.	Tianquan Mo Jiangong Dai	<ul style="list-style-type: none"> a. Provision of technical support and professional training for Party B to carry out business; b. Provision of information database support and software products for Party B's business; c. Provision of installation, test, maintenance and technical support for Party B's computer systems; d. Provision of internet office and relative maintenance, and overall security service in relation to website.
5.	December 20, 2015	Jia Tian Xia Network Technology Co., Ltd.	Beijing Li Tian Rong Ze Technology Development Co., Ltd.	Tianquan Mo Jiangong Dai	<ul style="list-style-type: none"> a. Provision of technical support and professional training for Party B to carry out business; b. Provision of information database support and software products for Party B's business; c. Provision of installation, test, maintenance and technical support for Party B's computer systems; d. Provision of internet office and relative maintenance, and overall security service in relation to website.
6.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Beijing SouFun Science and Technology Development Co., Ltd.	Tianquan Mo Jiangong Dai	<ul style="list-style-type: none"> a. Provision of technical support and professional training for Party B to carry out business; b. Provision of information database support and software products for Party B's business; c. Provision of installation, test, maintenance and technical support for Party B's computer systems; d. Provision of internet office and relative maintenance, and overall security service in relation to website.

7.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Beijing Yi Ran Ju Ke Technology Development Co., Ltd.	Tianquan Mo Jiangong Dai	<ul style="list-style-type: none"> a. Provision of technical support and professional training for Party B to carry out business; b. Provision of information database support and software products for Party B's business; c. Provision of installation, test, maintenance and technical support for Party B's computer systems; d. Provision of internet office and relative maintenance, and overall security service in relation to website.
8.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Shanghai Century Jia Tian Xia Technology Development Co., Ltd.	Tianquan Mo Jiangong Dai Beijing Century Jia Tian Xia Technology Development Co., Ltd.	<ul style="list-style-type: none"> a. Provision of technical support and professional training for Party B to carry out business; b. Provision of information database support and software products for Party B's business; c. Provision of installation, test, maintenance and technical support for Party B's computer systems; d. Provision of internet office and relative maintenance, and overall security service in relation to website.
9.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Shanghai China Index Consultancy Co., Ltd.	Tianquan Mo Jiangong Dai	<ul style="list-style-type: none"> a. Provision of technical support and professional training for Party B to carry out business; b. Provision of information database support and software products for Party B's business; c. Provision of installation, test, maintenance and technical support for Party B's computer systems; d. Provision of internet office and relative maintenance, and overall security service in relation to website.

10.	December 30, 2016	Beijing SouFun Information Technology Co., Ltd.	Beijing Gu Tian Xia Information Co., Ltd.	Tianquan Mo Jiangong Dai	<ul style="list-style-type: none">a. Provision of technical support and professional training for Party B to carry out business;b. Provision of information database support and software products for Party B's business;c. Provision of installation, test, maintenance and technical support for Party B's computer systems;d. Provision of internet office and relative maintenance, and overall security service in relation to website.
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FORM OF EXCLUSIVE CALL OPTION AGREEMENT
(Summary Translation)

This Exclusive Call Option Agreement (this “**Agreement**”) is made and entered into by the Parties below on *[specify date]*.

- (1) *[specify name of a subsidiary of Fang Holdings Limited] of [specify address]* (“**Party A**”);
- (2) *[specify name of shareholder of a consolidated controlled entity] of [specify address]* (“**Party B(I)**”);
- (3) *[specify name of shareholder of a consolidated controlled entity] of [specify address]* (“**Party B(II)**”);
- (4) *[specify name of a consolidated controlled entity]*, a company with limited liability duly registered and validly existing under the PRC laws at *[specify address]* (“**Party C**”);
- (5) *Fang Holdings Limited*, a company with limited liability duly registered and validly existing under the Cayman laws at *[specify address]* (“**Party D**”); and

In this Agreement, Party B(I) and Party B(II) are hereinafter collectively referred to as “**Party B**” and Party A, Party B and Party C are each referred to as a “**Party**” and collectively, the “**Parties**.”

WHEREAS:

1. Party B(I) holds *[specify percentage]*% equity interests in Party C;
2. Party B(II) holds *[specify percentage]*% equity interests in Party C;
3. Party A, Party B(I) and Party B(II) entered into a loan agreement (the “**Loan Agreement**”) on *[specify date]*;
4. Party A and Party C entered into an exclusive technical consultancy and services agreement (the “**Exclusive Technical Consultancy and Services Agreement**”) on *[specify date]*; and
5. Party A, Party B(I) and Party B(II) entered into an equity pledge agreement (the “**Equity Pledge Agreement**”) on *[specify date]*.

NOW, THEREFORE, the Parties through negotiations hereby agree as follows:

1. Transfer of Equity Interest.

1.1 Granting of Rights. Party B hereby irrevocably grants Party A or one or more persons designated by Party A (each, a “**Designated Person**”) an irrevocable and exclusive right to purchase (the “**Call Option**”) from Party B the whole or a part of the equity interest in Party C held by Party B (the “**Target Equity**”) exercisable by Party A at its own option and at the price set forth in Article 1.3 herein pursuant to any applicable PRC laws. Unless the prior written consent of Party A and its Designated Person has been obtained, Party B shall not sell, transfer or dispose of the Target Equity in any way to any other person. Party C hereby agrees to Party B’s granting to Party A the Call Option.

The reference to “person” in this Section and this Agreement are to a natural person, legal person or non-legal person entity.

1.2 Exercise Procedure. Party A shall exercise its Call Option in accordance with the relevant PRC laws and regulations. When exercising its aforesaid Call Option, Party A shall send to Party B a written notice (a “**Notice of Equity Purchase**”) and such Notice shall contain the following matters: (a) the decision of Party A to exercise the Call Option; (b) the number of shares to be purchased by Party A; and (c) purchase date and transfer date of the equity interests.

1.3 Equity Price. Unless valuation is required by applicable laws, the price for the Target Equity (the “**Equity Price**”) shall be equal to the actual amount of capital injection subscribed by Party B for the Target Equity.

1.4 Transfer of Target Equity. Whenever Party A is to exercise its Call Option:

(a) Party B shall instruct Party C to hold a shareholders meeting in time, and a resolution shall be passed during such meeting that approves Party B’s transfer of its equity interests in Party C to Party A and/or its Designated Person.

(b) Party B shall sign an equity interest transfer agreement with Party A (or its Designated Person, as applicable) in accordance with this Agreement and the Notice of Equity Purchase.

(c) The relevant Parties shall sign all other necessary contracts, agreements or documents, obtain all necessary governmental approval and consent, take all necessary actions to transfer, without attaching any Security Interests, the ownership of the Target Equity to Party A and/or the Designated Person; and cause Party A and/or the Designated Person to become the registered owner of the aforesaid Target Equity. For the purposes of this Section and this Agreement, “Security Interests” include liens, warrants, mortgages, pledges, rights and interests of a third party, any right to purchase, right to procure, right of priority, right to setoff, withholding of ownership, or other security arrangement; provided, however, that the “Security Interests” exclude any lien or security interests under this Agreement and the Equity Pledge Agreement.

(d) Before Party A and/or the Designated Person exercise the Call Option, Party B may, with the prior written consent of Party A and/or the Designated Person, transfer to a third party other than Party A and/or the Designated Person the Target Equity, and such third party shall succeed to all obligations, undertakings, representations and warranties of Party B under this Agreement as if it had been a Party hereof.

1.5 Payment. Whereas it is agreed in the Loan Agreement between Party A and Party B that any profits or gains from the transfer of Party B’s equity interest in Party C shall be paid back to Party A or a person designated by Party A as repayment under the Loan Agreement. Therefore, when Party A exercises its Call Option, the Equity Price shall be used by Party B to repay Party A for the loan, and Party A does not need to make any additional payment to Party B for the Equity Price.

2. Undertakings in Relation to Equity Interest.

2.1 Party C's Undertakings.

Party C hereby undertakes:

- (a) Without the prior written consent of Party A, Party C shall not supplement, amend or otherwise modify any document in any way that relates to the constitution of Party C, increases or reduces its registered capital, or changes the structure of its registered capital in any other way;
- (b) Party C shall maintain its corporate existence, operate and deal with its business diligently and effectively in accordance with good financial and commercial standards and practices;
- (c) Without the prior written consent of Party A, Party C shall not, in any way at any time after the execution of this Agreement, sell, transfer, mortgage or dispose of any of its legal rights and interests in relation to its assets, business or income, or allow the existence of any other Security Interests thereon;
- (d) Without the prior written consent of Party A, no debts may be incurred by, or be succeeded to or warranted or allowed to exist in, Party C, except the following debts: (i) debts incurred in the normal or daily business operations, and (ii) debts incurred with prior consent in writing by Party A;
- (e) Party C shall continue to operate all of its business normally in order to maintain the value of its assets, and may not perform any act or fail to perform an act that may materially affect its operations and the value of its assets;
- (f) Without the prior written consent of Party A, Party C may not sign any material contract, the value of which is over Renminbi one hundred thousand (RMB 100,000), except for any contract in its normal course of business;
- (g) Without the prior written consent of Party A, Party C may not provide any loan or security/warranty for any other party;
- (h) Upon Party A's request, Party C shall provide all materials in relation to its operations and financial condition to Party A;
- (i) Party C shall, with Party A's consent, purchase and maintain insurance, the amount and specific coverage of which shall be the same as those taken out by companies in similar businesses with similar properties or assets in the same area;

(j) Without the prior written consent of Party A, Party C may not consolidate or merge with any party, acquire any party, or invest in any party;

(k) It shall forthwith notify Party A of any litigation, arbitration or administrative proceedings that happened or is to happen in relation to the assets, business and income of Party C;

(l) In order to maintain Party C's ownership of all of its assets, Party C shall sign and deliver all necessary or proper documents, take all necessary or proper actions, lodge all necessary or proper complaints or raise all necessary or proper defenses against all claims;

(m) Without the prior written consent of Party A, Party C may not declare or pay dividends to its of Party C, provided however that, upon Party A's request, Party C shall forthwith distribute all of its distributable profits to its respective shareholders; and

(n) Upon Party A's request, Party C shall appoint the person designated by Party A to take up any directorship at Party C.

2.2 Party B's Undertakings.

Party B hereby undertakes:

(a) Without the prior written consent of Party A, Party B shall not in any way at any time after the signing of this Agreement sell, transfer, mortgage or dispose of any of its legal rights and interests in relation to the equity interests in Party C held by Party B, or allow the existence of any other Security Interests therein, except for the pledge of the equity interests in Party C held by Party B under the Equity Pledge Agreement;

(b) It shall cause the shareholders meetings of Party C not to approve, without the prior written consent of Party A, any action to sell, transfer, mortgage or dispose of any of its legal rights and interests in relation to any equity interests in Party C, or allow the existence of any other Security Interests therein, except for the pledge of such equity interests in Party C held by Party B under the Equity Pledge Agreement;

(c) It shall cause the shareholders meetings of Party C not to approve, without the prior written consent of Party A, that Party C is to consolidate or merge with any party, acquire any party, or invest in any party;

(d) It shall forthwith notify Party A of any litigation, arbitration or administrative proceedings that happened or is to happen in relation to the equity interests in Party C held by Party B;

(e) It shall cause the shareholders meetings of Party C to vote for the transfer of the Target Equity under this Agreement;

(f) In order to maintain the ownership of all of the equity interests held by Party B in Party C before transferring such equity interests to Party A, Party B shall sign and deliver all necessary or proper documents, take all necessary or proper actions, and raise all necessary or proper claims or all necessary or proper defenses against all claims;

(g) Upon Party A's request, Party C shall appoint the person designated by Party A to take up any directorship at Party C;

(h) Upon Party A's request, Party B shall unconditionally transfer its equity interests in Party C forthwith to Party A and/or the representative designated by Party A and to disclaim and give up any preemptive or priority right to purchase Party C's equity interests; and

(i) Party B shall strictly comply with provisions in this Agreement and other contracts contemplated hereunder, perform its obligations hereunder and thereunder, and not perform any act or fail to perform an act that may materially affect the validity and enforceability of this Agreement.

3. Representations and Warranties. Party B and Party C hereby, on the signing date of this Agreement and each date of transfer of the Target Equity, jointly and severally represent and warrant to Party A as follows:

(a) Each Party is legally competent and has the right to sign and deliver this Agreement, to sign pursuant to this Agreement any equity transfer agreement (collectively referred to as "**Transfer Agreement**") to transfer the Target Equity, and to perform its obligations hereunder and under any Transfer Agreement. This Agreement and any Transfer Agreement, upon signature, shall be legal, valid and binding upon each Party and may be enforced against each Party in accordance with their terms and conditions;

(b) The execution and delivery of this Agreement or any Transfer Agreement or the performance by each Party of its obligations hereunder or under any Transfer Agreement shall not (i) lead to a violation of any relevant PRC laws, (ii) be in conflict with or contradiction to the articles of association or any other constitutional documents of Party B and Party C, (iii) lead to a violation or breach of any contract or document of which Party B or Party C is a party or by which it is bound, (iv) lead to a violation of any conditions for any license, approval or their validity or (v) lead to the suspension or cancellation of any license or approval, or imposition of additional conditions for such license or approval;

(c) Party B owns all of the equity interests in Party C, and unless permitted in the Equity Pledge Agreement, Party B has no Security Interests in the aforesaid assets;

(d) Party C does not have any other unpaid debts, except for (i) debts incurred in its normal business operations and (ii) debts incurred with Party A's prior consent in writing; and

(e) No litigation, arbitration or administrative proceedings in relation to the equity interests in Party C or Party C's assets are currently on-going, pending, or likely to occur.

4. Effective Date and Term. This Agreement shall come into force upon signature by the Parties and shall remain valid for ten (10) years. It may be extended for an additional ten (10) years at Party A's option.

5. Governing Law and Dispute Resolution.

5.1 Governing Law. The PRC law shall govern the execution, validity, interpretation, amendment, termination and resolution of disputes arising out of this Agreement. The PRC law referred to herein does not include the laws of Taiwan, the Hong Kong Special Administration Region or the Macau Special Administration Region.

5.2 Dispute Resolution. Any dispute arising out of this Agreement or other related disputes shall be settled first through friendly negotiations. If such dispute cannot be so settled within thirty (30) days after one Party sends a written notice to another Party, it may be submitted by either Party to the China International Economic and Trade Arbitration Commission and be arbitrated in Beijing, China in accordance with its arbitration rules. The arbitration award shall be accepted as final and binding upon all Parties.

6. Taxation and Expenses. Each Party shall bear any and all taxation, cost and expenses that occur to such Party for the transfer and registration for the Target Equity and for the preparation and execution of this Agreement and any Transfer Agreement and the performance and completion of the transactions contemplated under this Agreement and any Transfer Agreement.

7. Notice. Any notice or other communication sent by any Party shall be written in Chinese, and sent by mail or facsimile transmission to the addresses of the other Parties set forth below or to other designated addresses previously notified by any such other Party. If any Party changes its address, it shall notify the other Parties of such change in a timely and effective manner. The dates on which such notices are deemed to have been effectively given shall be determined as follows:

(A) Notices given by personal delivery shall be deemed effectively given on the date of personal delivery;

(B) Notices sent by registered airmail (postage prepaid) shall be deemed effectively given on the seventh (7th) day after the date on which they were mailed (as indicated by the postmark);

(C) Notices sent by a courier recognized by the Parties shall be deemed effectively given on the third (3rd) day after they were sent to such courier service agency; and

(D) Notices sent by facsimile transmission shall be deemed effectively given on the first business day following the date of transmission, as indicated on the document.

Party A: *[specify]*
Address: *[specify]*
Fax: *[specify]*
Tel: *[specify]*
Attention: *[specify]*

Party B(I): *[specify]*
Address: *[specify]*
Fax: *[specify]*
Tel: : *[specify]*

Party B(II): *[specify]*
Address: *[specify]*
Fax: *[specify]*
Tel: *[specify]*

Party C: *[specify]*
Address: *[specify]*
Fax: *[specify]*
Tel: *[specify]*
Attention: *[specify]*

Party D: *[specify]*
Address: *[specify]*
Fax: *[specify]*
Tel: *[specify]*
Attention: *[specify]*

8. Confidentiality. The Parties hereby acknowledge and confirm that any oral or written materials exchanged between the Parties in relation to this Agreement are confidential materials. Each Party hereby agrees that it shall keep confidential any other Party's confidential materials. Without the prior written consent of such other Party, such Party shall not disclose to any third party such confidential materials, unless in the following cases: (a) such materials are known or to become known by public (not disclosed to public by such Party through its own fault); (b) applicable laws require disclosure of such materials; or (c) such materials are disclosed, in relation to the transactions contemplated in this Agreement, to such Party's legal, financial and other consultants who are subject to similar confidentiality provisions. Any disclosure of such confidential materials by any working staff or institution of any Party shall be deemed as disclosure of confidential materials by such Party, and such Party shall bear responsibilities. This section shall remain valid whether or not this Agreement has terminated due to any reason.

9. Further Warranties. The Parties hereby agree to sign, as soon as possible, all reasonable and necessary documents or documents conducive to the Parties for the purposes of performing this Agreement, and further take all reasonable and necessary actions or actions conducive to the Parties for the purposes of performing this Agreement.

10. Miscellaneous Terms.

10.1 Modification, Amendment and Supplement. Any modification, amendment and supplement to this Agreement shall be made upon written consent by the Parties.

10.2 Observance of Laws and Regulations. The Parties shall observe all PRC laws and regulations and confirm that each Party's operations fully comply with such laws and regulations.

10.3 Complete Agreement. Except for the written modification, amendment and supplement to this Agreement after its signing, this Agreement and Schedule I shall constitute the complete Agreement made by the Parties in relation to the aforesaid matters.

10.4 Title. The titles in this Agreement are for convenience only and shall not be used for interpretation, description or other purposes that may affect the meanings of provisions herein.

10.5 Language. This Agreement is made in Chinese in *[specify number]* originals.

10.6 Severability. If any of the terms or conditions hereunder or any portion thereof shall be invalid, illegal, or unenforceable under any applicable PRC laws, the validity, legality and enforceability of the remaining provisions hereunder shall not be in any way affected or impaired. The Parties shall negotiate in good faith to reach an agreement on a provision to replace the invalid. The economic effect resulting from such valid provisions shall be equal to that from the invalid, illegal or unenforceable provisions.

10.7 Successor. This Agreement is binding upon each Party's successors and transferees of equity interest, as if they were the contracting Parties hereof.

10.8 Continuous Validity. Any obligations due or becoming due before the expiry of this Agreement shall continue to be valid after the expiry.

10.9 Non-waiver. The failure of any Party to exercise its rights to investigate the breach of any other Party in any specific case shall not be deemed a waiver of such rights in any other cases alike or not.

11. Special Terms.

The Parties are aware of and acknowledge that Party A is a wholly-owned subsidiary of Party D and has entered into this Agreement as designated by Party D.

The Parties agree that, subject to the provisions of the PRC laws, Party D shall have the right to, at any time and at its own discretion, replace Party A, or appoint one or more other persons ("Appointees") to replace Party A and to assume all the responsibilities, rights and obligations of Party A agreed herein. That is, Party D replaces Party A in this Agreement. In this regard, all the Parties shall cooperate in various aspects, including but not limited to signing relevant legal documents per Party D's request. "Person" specified in this paragraph and this Agreement refers to a natural person, a legal entity or an unincorporated entity.

Party A: *[specify]*

Signed by: *[specify]*

Party B (I): *[specify]*

Signed by: *[specify]*

Party B(II): *[specify]*

Signed by: *[specify]*

Party C: *[specify]*

Signed by: *[specify]*

Party D: *[specify]*

Signed by: *[specify]*

SCHEDULE OF EXCLUSIVE CALL OPTION AGREEMENTS AMONG FANG, SHAREHOLDERS OF A CONSOLIDATED CONTROLLED ENTITY, THE CONSOLIDATED CONTROLLED ENTITY AND CERTAIN PRC SUBSIDIARIES OF FANG HOLDINGS LIMITED

	<u>Date of Agreement</u>	<u>Party A</u>	<u>Party B</u>	<u>Party C</u>	<u>Party D</u>	<u>Party B's Equity Interest in Party C</u>	<u>Date of Loan Agreement(s)</u>	<u>Date of Service Agreement</u>	<u>Date of Equity Pledge Agreement</u>
1.	November 20, 2018	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Jia Tian Xia Advertising Co., Ltd.	Fang Holdings Limited	80% 20%	March 25, 2010 (retroactive to November 13, 2007)	December 20, 2015	December 20, 2015
2.	May 20, 2018	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo	Beijing Hua Ju Tian Xia Network Technology Co., Ltd.	Fang Holdings Limited	100%	December 4, 2014	December 20, 2015	December 20, 2015
3.	May 20, 2018	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Internet Information Service Co., Ltd.	Fang Holdings Limited	80% 20%	May 17, 2004	December 20, 2015	December 20, 2015
4.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Century Jia Tian Xia Technology Development Co., Ltd.	Fang Holdings Limited	80% 20%	December 19, 2006; March 25, 2010 (retroactive to December 22, 2008)	May 15, 2018	May 15, 2018
5.	May 20, 2018	Jia Tian Xia Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Li Tian Rong Ze Technology Development Co., Ltd.	Fang Holdings Limited	80% 20%	March 25, 2010 (retroactive to September 9, 2009)	December 20, 2015	December 20, 2015
6.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing SouFun Science and Technology Development Co., Ltd.	Fang Holdings Limited	80% 20%	August 17, 2006 (retroactive to December 16, 2005); April 1, 2008 (retroactive to the date of provision of the loan)	May 15, 2018	May 15, 2018

7.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Yi Ran Ju Ke Technology Development Co., Ltd.	Fang Holdings Limited	80% 20%	July 8, 2011	May 15, 2018	May 15, 2018
8.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai Beijing Century Jia Tian Xia Technology Development Co., Ltd.	Shanghai Century Jia Tian Xia Technology Development Co., Ltd.	Fang Holdings Limited	1.6% 0.4% 98%	November 30, 2006	May 15, 2018	May 15, 2018
9.	May 15, 2018	Beijing Tuo Shi Huan Yu Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Shanghai China Index Consultancy Co., Ltd.	Fang Holdings Limited	80% 20%	November 24, 2006	May 15, 2018	May 15, 2018
10.	November 30, 2018	Beijing SouFun Network Technology Co., Ltd.	Tianquan Mo Jiangong Dai	Beijing Gu Tian Xia Information Co., Ltd.	Fang Holdings Limited	96.875% 3.125%	December 30, 2016	December 30, 2016	December 30, 2016

**Share Transfer Agreement among Shenzhen Nanfang Tongzheng Investment Co., Ltd., Jia Tian Xia Asset Management Co., Ltd. and Mr. Xicheng Liu
in relation to Chongqing Wanli New Energy Co., Ltd.**

(Summary Translation)

This Agreement is entered into on July 19, 2018 by and among the following Parties:

Party A: Shenzhen Nanfang Tongzheng Investment Co., Ltd. (hereinafter referred to as “**Transferor**” or “**Nanfang Tongzheng**”)

Authorized representative: Xicheng Liu

Party B: Jia Tian Xia Asset Management Co., Ltd. (hereinafter referred to as “**Transferee**” or “**Jia Tian Xia**”)

Authorized representative: Jian Liu

Party C: Xicheng Liu (legal representative of Shenzhen Nanfang Tongzheng Investment Co., Ltd.) Identification Number:

Whereas,

Upon mutual agreement of each party, Party A agrees to transfer its 15,328,730 shares (hereinafter referred to as the “**Target Shares**”) in Chongqing Wanli New Energy Co., Ltd. (the “**Target Company** or “**Listed Company**”) to Party B. While subject to the transfer of the Target Shares, Party A agrees to entrust Party B with the voting rights of the 10,072,158 shares of the Target Company other than the Target Shares, so that Party B can obtain control of the Target Company; After the completion of this share transfer, Party A is obliged to cooperate with the Listed Company to set up the Listed Company’s existing business and assets to be listed in accordance with the requirements of Party B.

Now therefore, upon mutual agreement, the Parties hereby enter into the following agreement.

Article 1 Definitions

[Intentionally omitted]

Article 2 Share Transfer

- 2.1 Party A will transfer 10% of the total number of existing issued shares of the Target Company held by Party A to Party B in accordance with the terms and conditions stipulated in this Agreement; Party B agrees the above-mentioned target shares shall be transferred and the corresponding share transfer price shall be paid in accordance with the terms and conditions stipulated in this Agreement.
- 2.2 Party C, as the actual controller of Party A, agrees that Party A shall transfer the shares held by Party A to Party B at one time in accordance with the provisions of this Agreement.

Article 3 Payment Arrangement for Share Transfer Price and Asset Settlement Compensation

- 3.1 The Parties agree that the Share Transfer Price is RMB300 million and the Share Transfer Price will be paid in two installments with each installment of RMB150 million.
- 3.2 As a compensation for Party A's obligation under Article 10 of this Agreement, Party B agrees to pay Party A a total of RMB200 million in two installments with each installment of RMB100 million.

Article 4 Share Transfer

- 4.1 Party A shall obtain a written consent letter from the Zhongxian Sub-branch of Chongqing Commercial Bank Co., Ltd. (the "pledgee"), to agree to the Share Transfer within five working days after the effective date of this Agreement.

- 4.2 Party A and Party B agree to submit the application for the transfer of the underlying shares to the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited in accordance with relevant laws and regulations after Party A shall obtain the consent letter from the pledgee in Article 4.1, and promote to obtain the confirmation opinion from the Shanghai Stock Exchange on the approval of the share transfer, within 15 working days from the effective date of this Agreement, and finally cause the underlying shares to be transferred within 30 working days from the effective date of this Agreement.

Article 5 Voting Proxy Arrangements

- 5.1 The Parties agree that on the Share Transfer Completion Date, Party A entrusts the voting rights of the outstanding shares of the Target Company held by Party A to Party B. Unless the Parties agree and reach a written agreement, the voting rights are permanent and irrevocable, Party A shall not unilaterally cancel the entrustment of such voting rights.
- 5.2 For the purpose of Article 5.1, Party A and Party B agree to enter into a Voting Proxy Agreement as attached in Appendix 1 to this Agreement.
- 5.3 After the completion of the Share Transfer, if Party A intends to transfer the outstanding shares of the Target Company held by it, Party B shall have the priority transfer right under the same conditions.

Article 6 Corporate Governance after the Completion of the Share Transfer

- 6.1 Party A and Party C undertake to resign the current directors (including independent directors), supervisors (including employee representative supervisors) and senior management personnel (excluding one director nominated by Chongqing Machinery & Electronics Holding (Group) Co., Ltd. to the Target Company) within three working days after the Share Transfer.

After the resignation of the current directors, supervisors and senior management personnel of the Target Company, Party B will nominate new directors and supervisors to the board of directors and the board of supervisors of the Target Company in accordance with applicable laws, and urge the new board of directors of the Listed Company to appoint senior management personnel in order to ensure the continuous and stable operation of the Target Company. Party A and Party C shall no longer nominate directors and supervisors to the Target Company.

Article 7 Special Agreements

7.1 The Parties agree that if the Share Transfer is not completed within 30 days from the date of Party B's payment of the first installment for the Share Transfer, Party B has the right to choose the following two solutions:

- (1) Party B may continue to require Party A and Party C to handle the transfer procedures of the underlying shares in accordance with the terms of this Agreement;
- (2) from the 31st day after the date of the payment of the first installment for the Share Transfer, Party B may cancel the Share Transfer at any time and notify Party A and Party C in writing.
- (3) In the case that Party B cancels the Share Transfer, the first installment of the Share Transfer of RMB150,000,000 that Party B has already paid shall be converted into Party B's loan to Party A. In this case, Party A shall repay to Party B the principal of the loan with an interest calculated at the annualized interest rate of 36% from the date when Party B's payment is actually paid to Party A's account, within 60 days after the receipt of the notice of the transfer of the first installment to the loan. Party C shall be jointly responsible for the repayment of the principal and interest of the loan with Party A.

Article 8 Business Development Plan of the Target Company

8.1 After the completion of the Share Transfer, Party B, as the controlling shareholder of the Target Company, will take into account the actual situation of the Target Company and take the opportunity to use the Target Company as the main body to carry out the business other than the existing business of the Target Company, and formulate the future development plan of the Target Company. To promote the development of the Target Company, other Parties to this Agreement should cooperate with the development of the new business of the Target Company.

Article 9 Performance Commitment and Operation Management of the Existing Business of the Target Company

9.1 Party A and Party C undertake that Party C will continue to be responsible for the operation and management of all existing businesses of the Target Company within three years (i.e., in 2018, 2019, 2020, hereinafter referred to as "**performance commitment period**") after the completion of the Share Transfer. Party B undertakes that it will not unreasonably interfere with the operation of the existing business of the Target Company from the Share Transfer Date until the expiration of the performance commitment period.

Notwithstanding the foregoing paragraph of this Article, Party B and the board of directors and general manager of the Listed Company shall have the right to supervise the existing business of the Target Company that is the responsibility of Party C during the performance commitment period.

- 9.2 Party C undertakes that during the performance commitment period, the Target Company's existing business will continue to be profitable over the years, and the Target Company will not be subject to the delisting risk warning, suspension or termination of the listing by the Shanghai Stock Exchange (excluding those caused by Party B) during the performance commitment period.
- 9.3 The Parties agree that, for any reason, for any loss of the existing business of the Target Company during the performance commitment period, Party A and Party C shall jointly compensate the loss of the Listed Company by means of free donation.

Article 10 Asset Placement Arrangements

- 10.1 The Parties agree that as a post-delivery obligation of Party A within three years after the completion of the Share Transfer, Party A shall take all feasible measures to facilitate the Target Company to legally transfer all existing assets ("**Target Assets**") of the Listed Company that are related or based on the operations of the existing business of the Target Company to Party A or other entities designated by Party A in accordance with the terms of this Agreement. If Party B needs to cooperate in the process of asset transfer, Party B will cooperate with the relevant procedures, including but not limited to voting for the sale of assets at the general meeting.
- 10.2 The Target Assets shall be sold to Party A by the Listed Company at a fair price which shall not be lower than RMB680,000,000. Party A and Party C shall not refuse to purchase the Target Assets in accordance with the Agreement for any reason.
- 10.3 Party A and Party C undertake that all relevant personnel and related expenses and liabilities related to the existing business of the Target Company involved in the Target Assets shall be borne by Party A, and the Listed Company shall not bear any responsibility; The tax cost in relation to the transfer of Target Assets shall be borne by Party A and the Target Company respectively in accordance with applicable laws.

10.4 Party A undertakes that Party A or the entity designated by Party A will completely accept the Target Assets on the mutually agreed delivery date. For the Listed Company's liabilities arising from the sale of the Target Assets before the closing date of the sale, the liabilities of the Listed Company arising from the closing date of the sale will be borne by Party A or the entity designated by Party A, and the Listed Company will not bear such responsibility, to ensure that the listed company will not suffer any losses.

10.5 As of the Effective Date of this Agreement, the payments owed by the Target Company to its related parties and the funds of the related party occupied by the Target Company shall be borne by Party A or the entity designated by Party A when the Target Assets are sold.

10.6 The Parties agree that if any transfer of the Target Assets cannot be completed (excluding the cases when caused by Party B) within a reasonable period of time (without Party B's confirmation otherwise, the "**reasonable period of time**" is within three months from the date when Party B sends a notice to Party A and Party C) notified by Party B:

- (1) Party A shall, within 30 days after the expiration of the reasonable period of time notified by Party B, pay Party B for a one-time compensation of RMB200 million. At the same time, Party A shall pay Party B RMB300 million as penalty, and the payment of the above-mentioned compensation and penalty payment will not exempt Party A from continuing to perform the obligation to transfer the Target Assets in accordance with the provisions of this Agreement; and
- (2) Party B has the right to facilitate the Listed Company to dispose the Target Assets in other legal ways after the expiration of a reasonable period without obtaining Party A's prior written consent. At that time, if the Listed Company disposes the Target Assets by itself, and the consideration is less than RMB680 million, the difference between the consideration and RMB680 million shall be borne and paid by Party A within 30 days from the receipt of Party B's notice.

10.7 Party C shall be jointly and severally liable with Party A for the above-mentioned liabilities of Party A in relation to the existing business of the Target Company and the sale of the Target Assets.

Article 11 Undertakings

- 11.1 In order to guarantee Party A's share transfer obligations under this Agreement and Party A's repayment obligation to Party B when the first installment has been converted as a loan owed by Party A to Party B, Party C agrees to enter into an Equity Pledge Agreement (See Appendix 2) with Party B on the Effective Date of this Agreement and pledges its capital contribution of RMB33,195,319 in Party A (accounting for 55.32% of the shares of Party A) to Party B.
- 11.2 If the share transfer cannot be completed within 30 days from the date on which Party B pays the first installment of the share transfer, and the first installment has been converted as a loan owed by Party A to Party B according to Article 7.1, Party A shall pledge 10% of the shares of the Target Company held by it to Party B as the guarantee.
- 11.3 Party C agrees to enter into an Equity Pledge Agreement (See Appendix 3) with Party B on the Effective Date of this Agreement and pledges its capital contribution of RMB6,000,600 in Party A (accounting for 10% of the shares of Party A) to Party B.
- 11.4 Party C agrees to be jointly and severally liable for Party A's obligations and responsibilities to Party B under this Agreement. Party C agrees to enter into a Guarantee Agreement (See Appendix 4) with Party B on the Effective Date of this Agreement.
- 11.5 Party A undertakes to complete the procedures for the pledge of the outstanding shares of the Listed Company held by Party A to Party B within three working days from the date of the Share Transfer.

Article 12 Representations and Warranties

- 12.1 Each party warrants to another party that: (i) its representations and warranties in this Agreement are true, complete and accurate without material omissions; (ii) it is a legally established and valid surviving entity in the PRC with full right to sign this Agreement; (iii) there are no circumstances that have a significant impact on the performance of this Agreement; (iv) signing, delivering and fulfilling this Agreement do not violate any laws and regulations, its own company charter, or its contract with any third party; (v) and this Agreement is legal, valid and binding.
- 12.2 Party A and Party C further irrevocably warrant to Party B that, from the Effective Date of this Agreement to the Share Transfer Date, among others, (i) Party A has full and complete ownership of the underlying shares and after the transfer of the underlying shares, and Party B will have full and complete ownership of the underlying shares; (ii) no pending disputes, litigation, arbitration or administrative proceedings or government investigations may result in restrictions on the subject rights of the underlying shares; (iii) all of Party A's commitments as the original controlling shareholder of the Target Company have been fulfilled; (iv) Party A and Party C shall facilitate the completion of all legal procedures for the Share Transfer; and (v) Target Company and all its subsidiaries shall operate the principal business in the normal course of business in a manner consistent with past practices, maintain business in good condition, not repay loan in advance, timely execute documents, not waive any material rights without prior written approval of Party B, ensure legal compliance, not acquire third party equity, assets or business, not violate the representations and warranties under this Agreement, promptly notify Party B in writing of any material adverse effect on the company, handle corporate tax matters in compliance with laws, not distribute dividends, not formulate equity incentive plan, and not dispose of important assets and technologies.

- 12.3 In respect of the general operation of the Target Company prior to the Share Transfer Date, Party A and Party C jointly warrant to Party B that, among others, (i) all disclosures made before the Effective Date of this Agreement are true, accurate and complete without major omissions; (ii) the Target Company and its subsidiaries are legally established, legally valid and in compliance with the relevant laws and regulations; and (iii) the financial statements and related information disclosed by the Target Company are in compliance with relevant laws and regulations.
- 12.4 Party B warrants to Party A that (i) Party B shall assist the Target Company to handle examination and approval and information disclosure, and fulfill its own information disclosure obligations; (ii) after the completion of the share transfer, Party B shall bear the responsibility as a shareholder; (iii) Party B has all the rights, authorizations and approvals required to enter into this Agreement; and (iv) Party B shall timely fulfill the obligations stipulated in laws and regulations and other provisions of this Agreement.
- 12.5 Party A and Party C warrant to induce the timely payment of the restructuring-related fees by Party A, Chongqing Electromechanical Holding Group Asset Management Co., Ltd. and Chongqing Electromechanical Holding (Group) Co., Ltd. in accordance with the relevant agreements signed with the Target Company.

Article 13 Confidentiality

- 13.1 Except as otherwise agreed in this Agreement, each party shall use its best endeavors to keep confidential any business information, materials and/or documents of any kind relating to the other party obtained by the performance of this Agreement. Either party shall limit its employees, agents and suppliers to obtain such information only if it is necessary to perform the obligations of this Agreement.
- 13.2 The Parties shall oblige their respective directors, officers and other employees, as well as the directors, officers and other employees of their affiliates, to comply with the confidentiality obligations set forth in this Article.
- 13.3 The provisions of this Article shall remain in force after the termination of this Agreement for any reason.

Article 14 Liability for breach of contract

- 14.1 Any of the following events constitutes a breach by the party under this Agreement: (1) any violation of any provision of this Agreement; (2) any failure to perform or delayed performance of the obligations under this Agreement; or (3) any breach of any representations, warranties or undertakings made under this Agreement.
- 14.2 If the Share Transfer is not completed within 30 days from the date of Party B's payment of the first installment for the Share Transfer (excluding those cases caused by Party B), the parties shall act in accordance with Article 7 of this Agreement; if Party A fails to repay the loan in accordance with Article 7 after the first installment of the Share Transfer has been converted as Party B's loan, Party A shall pay Party B one-thousandth of the principal of the loan as the late payment fee for each day of extension without exempting Party A from its obligation to repay the principal and interest of the loan.

14.3 Upon completion of this Share Transfer, in any of the following circumstances, Party B shall have the right to terminate this Agreement after Party A or Party C has been notified in writing, except that Party A is required to take corresponding remedies in accordance with the provisions of this Agreement:

- (1) The Target Asset fails to be transferred out of the Target Company within a reasonable period of time notified by Party B within three years after the completion of the share transfer, without Party B's fault, in accordance with Article 10 of this Agreement;
- (2) Party A violates Article 5 of this Agreement and the Voting Proxy Agreement as attached in Appendix 1 to this Agreement, and prevents Party B from exercising voting rights by action or omission (including but not limited to refusal and delay to provide Party B with the documents required to exercise the voting rights in accordance with Party B's instructions); or results in inconsistency between the voting results of the authorized shares and the voting results of the transferred shares held by Party B at that time, without Party B's fault;
- (3) The Target Company is subject to the delisting risk warning, suspension or termination of the listing by the Shanghai Stock Exchange within three years after the completion of this Share Transfer, without Party B's fault;
- (4) Party A and Party C substantially violate their obligations under this Agreement or make statements, representations and warranties, which cause Party B's failure to achieve the purpose of this Share Transfer;
- (5) Other circumstances in which Party B has the right to terminate according to the Contract Law of the People's Republic of China.

In case of Party B terminates this Agreement and notifies Party A and Party C in writing, within 30 days from the date of receipt of Party B's notice, Party A shall repay to Party B in one lump sum the sum of the paid Share Transfer Price and the compensation of RMB500,000,000 plus the interest calculated at the annualized interest rate of 36%; Party B shall cooperate with Party A in the corresponding share transfer and pledge release procedure after Party B receives the principal and interest returned by Party A. If the procedure involves disclosure of information of a listed company, the parties shall cooperate.

14.4 Except as expressly agreed in this Agreement, the breaching party shall pay the non-breaching party a liquidated damages of RMB50,000,000, and the non-breaching party shall remain the right to request the breaching party to continue to perform and compensate for the loss and shall continue to enjoy the rights set forth in other Articles of this Agreement.

Article 15 Force majeure and Change of Law

15.1 Failure by either party to perform its obligations under this Agreement due to force majeure or changes of applicable laws shall not be considered a breach of contract, but shall notify the other party within 15 working days after the occurrence of force majeure or changes of applicable laws.

Article 16 Governing Law and Dispute Resolution

16.1 The conclusion, validity, interpretation, execution and resolution of this Agreement shall be governed by laws of the PRC.

16.2 Any dispute arising out of this Agreement shall be resolved through negotiations among the Parties hereto. If such negotiations fail to resolve the dispute, any party may submit such dispute before the court in the jurisdiction where Party B's domicile is located.

Article 17 Effectiveness, Amendment and Termination

17.1 This Agreement shall become effective upon its execution by all Parties hereto.

17.2 Changes or additions to this Agreement are subject to negotiation by the parties with a written or supplemental agreement.

17.3 Except otherwise provided in this Agreement, the fundamental breach of contract by any party to this Agreement results in the failure of this Agreement and/or the attachments to this Agreement to be fulfilled, the contracting party has the right to terminate this Agreement.

17.4 If, excluding the cases caused by Party B, the underlying shares fail to be transferred within 90 days after the Effective Date of this Agreement, Party B shall have the right to terminate this Agreement.

Article 18 Notice

18.1 The notice will take effect upon receipt.

18.2 If the notice is delivered outside of working hours, the notice shall be deemed to be received at the beginning of the working hours of the next working day.

18.3 For the purposes of this section, the delivery information of the Parties are as below:

(1) Party A: *[intentionally omitted]*

(2) Party B: *[intentionally omitted]*

(3) Party C: *[intentionally omitted]*

Article 19 Miscellaneous

- 19.1 The Agreement shall remain in full force after the date of Shares Transfer as long as it has not been fully fulfilled before the date of Shares Transfer.
- 19.2 The Parties to this Agreement may not assign any of its rights, interests or obligations under this Agreement without the prior written consent of other Parties.
- 19.3 This Agreement is written in Chinese. Each original has the same legal effect.

(Signature pages to follow)

Signature page

Party A: Shenzhen Nanfang Tongzheng Investment Co., Ltd. (seal)
Legal Representative: /s/ Xicheng Liu

Party B: Jia Tian Xia Asset Management Co., Ltd. (seal)
Legal Representative: /s/ Hua Lei

Party C: Xicheng Liu
Signature: /s/ Xicheng Liu

Appendix I

Voting Proxy Agreement

(Summary Translation)

This Voting Proxy Agreement is entered into by the following Parties on July 19, 2018 in Beijing:

Party A: Shenzhen Nanfang Tongzheng Investment Co., Ltd.

Legal representative / authorized representative: Xicheng Liu

Party B: Jia Tian Xia Asset Management Co., Ltd.

Legal representative / authorized representative: Jian Liu

Upon mutual agreement, the Parties hereby enter into this Voting Proxy Agreement (hereinafter referred to as the "**Agreement**"), as follows:

1. Voting Proxy

- 1.1 Party A irrevocably authorizes Party B as the sole and exclusive agent of the 10,072,158 shares of Chongqing Wanli New Energy Co., Ltd. (the "Listed Company") held by Party A (hereinafter referred to as the "**Authorized Shares**"), and Party B fully represents Party A within the proxy period to exercise the shareholder rights (hereinafter referred to as "**proxy rights**") including but not limited to submitting proposals for nominations or recommendations of directors, supervisors, and senior management candidates of listed companies; convening and attending general meeting of listed companies; and to vote on the shareholders' meeting.
- 1.2 From the effective date of this Agreement, for any change of the number of shares of the Listed Company due to the reason of issuance of bonus shares, increase of the provident fund, share split, share allotment, and transfer of some shares agreed by Party B, the number of authorized shares shall be adjusted accordingly.
- 1.3 The Parties hereby confirm that Party A shall no longer issue a power of attorney to Party B for the specific voting matters involved in the voting proxy; however, Party A shall promptly (should be no later than the second day of the request by Party B) cooperate with the issuance of relevant documents in accordance with the requirements of Party B to achieve the purpose of entrusting Party B to exercise voting rights under this Agreement.

2. Commission Term

- 2.1 The term of this proxy right as described in this Agreement shall commence from the date of completion of the transfer of shares under the "Share Transfer Agreement" (including the date of the transfer) to the date of termination of the entrustment as stated in Article 2.2 of this Agreement.
- 2.2 The termination date of this proxy right shall be earlier date of the following situations:
 - (1) Both Parties agree to cancel or terminate the proxy rights and sign the termination agreement in writing;
 - (2) With the prior written consent of Party B, Party A shall legally dispose of all authorized shares and the shares shall no longer be registered in the name of Party A.

3. Execution of the Proxy Rights

- 3.1 Party A shall provide full assistance to Party B in exercising its entrusted rights, including timely signing relevant legal documents when necessary.
- 3.2 If, at any time during the proxy period, the granting or exercise of the proxy rights under this Agreement is unrealizable for any reason, the Parties shall immediately seek the alternative that is most similar to the unrealizable agreement. And, if necessary, sign a supplemental agreement to modify or adjust the terms of the Voting Proxy Agreement to ensure that the purpose of the Voting Proxy Agreement can continue to be realized.
- 3.3 Unless Party A's prior written consent is obtained, Party B shall not delegate the proxy rights to other Parties.

4. Representations and Warranties

- 4.1 Party A's representation and warranties
 - 4.1.1 Party A is a limited company established and validly existing under the laws of the PRC with rights, powers and capabilities to enter into and perform this Agreement and to perform all of its obligations and obligations under this Agreement. It has obtained the necessary licenses, authorizations and approvals for signing this Agreement in accordance with the current laws and regulations of China. In order to ensure the execution of the Voting Proxy Agreement, all authorizations, permits and approvals obtained for signing and fulfilling the Voting Proxy Agreement are legal and valid, and there is no circumstance that such permits and approvals shall be revoked, suspended or terminated in the future.
 - 4.1.2 As of the effective date of this Agreement, 10,000,000 shares of the authorized shares have been pledged to Zheshang Bank Co., Ltd., Chongqing Branch, and Party A shall terminate the above mentioned pledged shares within three working days from the date of completion of the transfer of shares under the Share Transfer Agreement and deal with the formalities to pledge all authorized shares to Party B.

4.1.3 Except for the above provision, there are no actual or potential pledges, seizures, freezes and other rights restrictions on the authorized shares during the proxy period that may result in limited capacity of such shares or potential disputes or disputes. During the proxy period, Party A shall not transfer the authorized shares or establish a new pledge or other rights restrictions on the authorized shares without the prior written consent of Party B.

4.2 Party B warrants to Party A that Party B is a limited company established and validly existing under the laws of the PRC with rights, powers and capabilities to enter into and perform this Agreement and to perform all of its obligations and obligations under this Agreement. It has obtained the necessary licenses, authorizations and approvals for signing this Agreement in accordance with the current laws and regulations of China. In order to ensure the execution of the Voting Proxy Agreement, all authorizations, permits and approvals obtained for signing and fulfilling the Voting Proxy Agreement are legal and valid, and there is no circumstance that such permits and approvals shall be revoked, suspended or terminated in the future.

5. Effectiveness of the Agreement

This Agreement shall come into force upon being signed and sealed by the legal representative/authorized representative of both Parties.

6. Dispute Resolution

The signing, validity, performance, interpretation and settlement of disputes of this Agreement shall be governed by the laws of the People's Republic of China.

7. Miscellaneous

After the signing of this Agreement, unless otherwise agreed in writing by the Parties, neither party may assign any rights, benefits or obligations under this Agreement to a third party without the prior written consent of the other Party.

(Signature pages to follow)

Signature page

Party A: Shenzhen Nanfang Tongzheng Investment Co., Ltd. (seal)

Legal representative or authorized representative (signature): /s/ Xicheng Liu

Party B: Jia Tian Xia Asset Management Co., Ltd. (seal)

Legal representative or authorized representative (signature): /s/ Hua Lei

Appendix II

Equity Pledge Agreement

(Summary Translation)

This Equity Pledge Agreement (the "**Agreement**") is entered into by the following two parties on July 19, 2018 in Beijing.

Pledgor: Xicheng Liu

Identification Number:

Pledgee: Jia Tian Xia Asset Management Co., Ltd.

Address:

Legal representative: Jian Liu

1. Pledged equity

- 1.1 The pledged equity refers to the 55.32% equity of Shenzhen Nanfang Tongzheng Investment Co., Ltd. ("Nanfang Tongzheng") held by the pledgor, corresponding to the capital contribution of RMB33,195,319 in Nanfang Tongzheng.
- 1.2 The pledge under this Agreement, applies to the derivative equity formed by issuance of bonus shares, increase of provident funds, share split, etc., and applies to the dividends distributed in relation to the pledged shares.

2. Scope and Term of the Pledge

2.1 The scope of pledge

The pledge scope of this Agreement includes the following two parts:

- (1) obligations to transfer the shares of Nanfang Tongzheng under the Share Transfer Agreement; and
- (2) in the case that the Share Transfer cannot be completed, pledgor and Nanfang Tongzheng's repayment obligations (including principal amount, interest and liquidated damages) when the first installment of RMB150,000,000 is converted into Party B's loan to Nanfang Tongzheng.

2.2 Pledge period

The term of the equity pledge referred to in this Agreement shall be effective from the date of completion of the pledge registration with the administration department of industry and commerce, and shall be terminated on the earlier date of the following:

- (1) the transfer of shares under the Share Transfer Agreement could not be completed not due to the reasons of the pledgee, and the first installment of the share transfer has been converted to the pledgee's loan to the pledgor and the Nanfang Tongzheng in accordance with the Share Transfer Agreement. At the same time, Nanfang Tongzheng has pledged 10% of the shares of Chongqing Wanli New Energer Co., Ltd. (the "Listed Company") held by it to the pledgee and completed the registration of the shares pledge at Shanghai Branch of China Securities Depository and Clearing Co., Ltd.;
- (2) the underlying shares under the Share Transfer Agreement have been transferred to the pledgee, who has obtained the "Confirmation of Transfer Registration" issued by Shanghai Branch of China Securities Depository and Clearing Co., Ltd.

3. Transfer

- 3.1 The pledgor shall not be entitled to give or transfer its rights and obligations under this Agreement unless the pledgee has agreed in writing in advance.
- 3.2 This Agreement is binding on the pledgor and its successors and is valid for the pledgee and each of its successors and assignees.
- 3.3 The pledgee may assign all or any of its rights and interests under this Agreement to any one or more third parties at any time.

4. Disputes Resolution

- 4.1 The conclusion, interpretation, enforcement and settlement of disputes under this Agreement shall be governed by the laws of the People's Republic of China. The interests of both parties to this Agreement are protected by the laws of the People's Republic of China.
- 4.2 Any dispute arising from or in connection with this Agreement shall first be resolved through friendly negotiation. If such negotiations fail to resolve the dispute, any party may submit such dispute before the court in the jurisdiction where Party B's domicile is located.

5. Effectiveness

The pledge is established from the date of completion of the pledge registration with the administration department of industry and commerce.

(Signature pages to follow)

Signature page

Pledgor:

Xicheng Liu (signature): /s/ Xicheng Liu

Pledgee: Jia Tian Xia Asset Management Co., Ltd. (seal)

Legal representative or authorized representative (signature): /s/ Hua Lei

Appendix III

Equity Pledge Agreement

(Summary Translation)

This Equity Pledge Agreement (the "**Agreement**") is entered into by the following two parties on July 19, 2018 in Beijing.

Pledgor: Xicheng Liu

Identification Number:

Pledgee: Jia Tian Xia Asset Management Co., Ltd.

Address:

Legal representative: Jian Liu

1. Pledged equity

- 1.1 The pledged equity refers to the 10% equity of Shenzhen Nanfang Tongzheng Investment Co., Ltd. ("Nanfang Tongzheng") held by the pledgor, corresponding to the capital contribution of RMB6,000,600 in Nanfang Tongzheng.
- 1.2 The pledge under this Agreement, applies to the derivative equity formed by issuance of bonus shares, increase of public reserve funds, share split, etc., and applies to dividends distributed in relation to the pledged shares.

2. Scope and Term of the Pledge

2.1 The scope of pledge

The pledge scope of this Agreement includes the following:

- (1) (i) the obligation of Nanfang Tongzheng to complete the transfer of the underlying shares to Party B under the Share Transfer Agreement, and (ii) after the payment of Party A's first installment of RMB150,000,000 is completed in accordance with the Share Transfer Agreement, Nanfang Tongzheng's obligation to return the principal amount, interest and liquidated damages (if any) at the same time as the RMB150,000,000 is converted into Party B's loan to Nanfang Tongzheng in accordance with the Share Transfer Agreement;

- (2) according to Article 10 of the Share Transfer Agreement, the obligations of Party A in relation to (i) asset placement obligation to transfer the Target Asset of Chongqing Wanli New Energer Co., Ltd. (the “Listed Company”) after the completion of the Share Transfer, and (ii) Nanfang Tongzheng’s return and reimbursement obligation to Party A when the asset of the existing business cannot be sold on time according to the agreement of the Share Transfer Agreement, and (iii) the payment obligation of Party A or Party A’s designated entity for the asset placement of the existing business of the Target Company;
- (3) obligation of Nanfang Tongzheng and Party A under the Share Transfer Agreement (including its appendix, the Voting Proxy Agreement) to deal with matters related to the proxy rights of the Listed Company;
- (4) other obligations and responsibilities of Nanfang Tongzheng under the Share Transfer Agreement to Party A (including but not limited to statements, representations and warranties made by Nanfang Tongzheng).

2.2 Pledge period

The term of the equity pledge in this Agreement shall be effective from the date of completion of the pledge registration with the administration department of industry and commerce, and shall be terminated after (i) Party A and Party C have performed all obligations under the Share Transfer Agreement, and (ii) in respect of the asset placement arrangement as stipulated in the Share Transfer Agreement, Party A (or the entity designated by Party A) has paid the consideration of all disposed assets to the Listed Company according to Party B’s request.

3. Transfer

- 3.1 The pledgor shall not be entitled to give or transfer its rights and obligations under this Agreement unless the pledgee has agreed in writing in advance.
- 3.2 This Agreement is binding on the pledgor and its successors and is valid for the pledgee and each of its successors and assignees.
- 3.3 The pledgee may assign all or any of its rights and interests under this Agreement to any one or more third parties at any time.

4. Disputes Resolution

- 4.1 The conclusion, interpretation, enforcement and settlement of disputes under this Agreement shall be governed by the laws of the People's Republic of China. The interests of both parties to this Agreement are protected by the laws of the People's Republic of China.
- 4.2 Any dispute arising from or in connection with this Agreement shall first be resolved through friendly negotiation. If such negotiations fail to resolve the dispute, any party may submit such dispute before the court in the jurisdiction where Party B's domicile is located.

5. Effectiveness

The pledge is established from the date of completion of the pledge registration with the administration department for industry and commerce.

(Signature pages to follow)

Signature page

Pledgor:

Xicheng Liu (signature): /s/ Xicheng Liu

Pledgee: Jia Tian Xia Asset Management Co., Ltd. (seal)

Legal representative or authorized representative (signature): /s/ Hua Lei

Appendix IV

Guarantee Agreement

(Summary Translation)

This Guarantee Agreement (the "**Agreement**") is entered into by the following two parties on July 19, 2018 in Beijing.

Party A/Creditor: Jia Tian Xia Asset Management Co., Ltd.

Address:

Legal representative: Jian Liu

Party B/Guarantor: Xicheng Liu

Identification Number:

1. Guarantee

Party A and Party B agree that in order to guarantee Party A's full rights under the Share Transfer Agreement and to ensure that the guarantee obligation is fully and properly performed, Party B agrees to use all of its property, equity, current and future income/revenue ("**Guarantee Assets**"), providing Party A with irrevocable joint and several liability guarantees, and Party A agrees to accept such guarantees.

2. Scope of Guarantee

The scope of Party B's guarantee includes:

- 2.1 (i) the obligation of Nanfang Tongzheng to complete the transfer of the underlying shares to Party A under the Share Transfer Agreement, and (ii) after the payment of Party A's first installment of RMB150,000,000 is completed in accordance with the Share Transfer Agreement, Nanfang Tongzheng's obligation to return the principal amount, interest and liquidated damages (if any) at the same time as the RMB150,000,000 is converted into Party A's loan to Nanfang Tongzheng in accordance with the Share Transfer Agreement;
- 2.2 According to Article 10 of the Share Transfer Agreement, Party A's asset placement obligation to transfer the Target Asset of Chongqing Wanli New Energer Co., Ltd. (the "Listed Company") after the completion of the Share Transfer, and Nanfang Tongzheng's return and reimbursement obligation to Party A when the Target Asset cannot be placed on time according to the agreement of the Share Transfer Agreement;

2.3 According to the Share Transfer Agreement (including its appendix, the Voting Proxy Agreement), the obligations of Nanfang Tongzheng and Party A regarding the proxy rights of the Listed Company;

2.4 Other obligations and responsibilities of Nanfang Tongzheng (including but not limited to statements, representations and warranties made by Nanfang Tongzheng) to Party A under the Share Transfer Agreement.

3. Guarantee Method

Party B shall be jointly and severally liable, with Nanfang Tongzheng, for the relevant obligations under the Share Transfer Agreement.

4. Guarantee Period

Party B's guarantee liability for the above-mentioned Nanfang Tongzheng's obligations under the Share Transfer Agreement is limited to two years from the date of expiration of all obligations of Nanfang Tongzheng under the Share Transfer Agreement.

5. Liability for Breach

Any violation of the representations, warranties, guarantees and other obligations under this Agreement by any party constitutes a breach and such breaching party shall be liable in accordance with the relevant laws and the provisions of this Agreement. For any violation of this Agreement resulting in another party bearing any costs, liabilities or losses, the breaching party shall compensate the non-breaching party for any of the above fees, liabilities or losses. Except as otherwise provided in this Agreement, the total amount of compensation paid by the the breaching party to the non-breaching party shall be the same as the losses arising from the breach of this Agreement, and the above compensation shall include the benefits that the non-breaching party shall receive due to performance.

6. Dispute Resolution

The disputes arising during the performance of this Agreement shall be settled through negotiation between the Parties. If such negotiations fail to resolve the dispute, any party may submit such dispute before the court in the jurisdiction where Party A's domicile is located.

(Signature pages to follow)

Signature page

Party A/Creditor: Jia Tian Xia Asset Management Co., Ltd. (seal)

Legal representative or authorized representative (signature): /s/ Hua Lei

Party B/Guarantor:

Xicheng Liu (signature): /s/Xicheng Liu

LOAN AGREEMENT

This Agreement is made and entered into by the Parties below on June 11, 2018 in Beijing:

(1) **Lender:**

Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd., a wholly foreign owned enterprise established in China with its registered address at Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing

(2) **Borrowers:**

Borrower I:

Tianquan Mo, Chinese, ID No.: [REDACTED], address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Borrower II:

Yu Huang, Chinese, ID No.: [REDACTED], address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

The Lender and each Borrower are hereinafter referred to collectively as the “**Parties**” and each as a “**Party**.”

WHEREAS:

Borrower I holds 80% equity interest in Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd. (hereinafter referred to as “**Beijing Zhong Zhi Hong Yuan**”), a domestically funded company with limited liability registered in Beijing, China, and qualified as an independent legal person;

Borrower II holds 20% equity interest in Beijing Zhong Zhi Hong Yuan; and

The Lender, agreed to provide a loan of RMB1,200,000 to Borrower I, and a loan of RMB300,000 to Borrower II.

The aforesaid loans are collectively and each referred to as the “**Loan**.”

NOW, THEREFORE, in order to identify the rights and obligations of any Party, the Parties hereof, through friendly negotiations, agree as follows:

1. Loan

1.1 Provision of the Loan

The Borrowers applied to the Lender for the Loan. The Lender agreed to provide the Loan to the Borrowers and disbursed the Loan in full to the Borrowers on the date determined by the the Lender and the Borrowers.

1.2 Term of the Loan

The term of the Loan starts from the date on which the Loan was provided until ten (10) years thereafter. Should any Borrower not be able to repay the Loan in compliance with Article 1.4 of this Agreement due to the restrictions under applicable laws upon the expiry of the term, the term of the Loan shall be extended automatically until such time when the applicable laws permit the repayment in such mode and the Lender agrees to accept the repayment by the Borrowers in accordance with the mode of payment set forth in Article 1.4 herein.

Except as provided in Article 1.5 herein, the Borrowers may not request to repay the Loan before the due date.

1.3 Use of the Loan

The Borrowers hereby agree and warrant that the Loan shall be used solely as capital contributed to Beijing Zhong Zhi Hong Yuan for its business expansion. Without prior written consent of the Lender, the Borrowers shall not make use of the Loan for any other purpose, nor shall the Borrowers transfer, pledge or mortgage their equity interests or other rights and interests in Beijing Zhong Zhi Hong Yuan to any third party other than the Lender or Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

1.4 Repayment of the Loan

Pursuant to applicable PRC laws, the Borrowers shall repay the Loan by means of transferring their respective equity interests in Beijing Zhong Zhi Hong Yuan to the Lender or any other person designated by the Lender; and the Borrowers shall have no further obligations after so transferring as aforesaid.

Any profits or gains from the transfer by the Borrowers of their equity interests in Beijing Zhong Zhi Hong Yuan shall be paid back to the Lender or the person designated by the Lender in accordance with provisions hereof.

1.5 Advance Repayment of the Loan

During the term of the Loan, as extended pursuant hereunder, the Borrowers shall be liable, jointly and severally, to repay their respective portions of the Loan prior to its due date upon the written request of the Lender if any of the following events occurs:

- (1) any Borrower dies or becomes incapacitated, or becomes limited in its capacity for civil conduct;
- (2) any Borrower leaves, resigns from, or is suspended or dismissed from, the post at the Lender or the Lender's associated companies;
- (3) any Borrower transfers, without the Lender's consent, its equity interest in the Lender or in the Lender's other associated companies held by such Borrower to any third party not contemplated by this Agreement;
- (4) any Borrower commits a criminal act or is involved in criminal activities;
- (5) any third party not contemplated hereunder raises a claim to any Borrower for over RMB 500,000; or
- (6) in accordance with applicable PRC laws, a foreign entity is able to solely operate a value-added telecommunication business, and the relevant authorities have started to examine and approve application for such business.

Pursuant to the applicable PRC laws, the Lender is entitled, but not obliged, to purchase, or designate any other person not contemplated by this Agreement to purchase, at any time all or part of each Borrower's equity interests in Beijing Zhong Zhi Hong Yuan at any price agreed to by all Parties.

2. Transfer of this Agreement

The Borrowers may not transfer any of their rights and/or obligations hereunder to any third party without the prior written consent of the Lender. After notice to the other Party, the Lender may transfer any of its rights and/or obligations hereunder to any third party designated by the Lender.

3. Representations, Warranties and Undertakings of Each Borrower

The Borrowers are PRC citizens with full capacity for civil act, with full and independent legal status, and are legally competent to execute, deliver and perform this Agreement. Each of the Borrowers may sue or be sued in a litigation.

The Borrowers warrant that they shall not, without the Lender's prior written consent, transfer, pledge or mortgage their respective equity interests or other rights and interests in Beijing Zhong Zhi Hong Yuan to any third party other than the Lender or Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

In order to ensure the stability of the value of the equity interests of Beijing Zhong Zhi Hong Yuan which form the basis for the Borrowers to repay the Loan, the Borrowers shall ensure standard operations of Beijing Zhong Zhi Hong Yuan. The Borrowers undertake to execute an irrevocable shareholders proxy agreement to empower the Lender or any other person designated by the Lender to exercise any and all shareholder rights the Borrowers may exercise in Beijing Zhong Zhi Hong Yuan.

4. Confidential Terms

Each Party hereby agrees that it shall endeavor to take reasonable measures to keep confidential the other Parties' confidential materials and information (hereinafter referred to as "**Confidential Information**") known or acquired by such Party due to the execution and performance of this Agreement.

Without the prior written consent of the owner of the aforesaid Confidential Information, no Party shall divulge, grant or transfer to any third party such Confidential Information. Upon the termination of this Agreement, each Party shall, upon request, return to the owner of such Confidential Information, or destroy on its own, any documents, materials, software or other sources carrying such Confidential Information, delete any such Confidential Information from any relevant memory device and shall not continue to use such Confidential Information.

The Parties hereby agree that this article shall remain valid regardless of amendment, cancellation or termination of this Agreement.

5. Indemnification

Each Party shall indemnify the other Parties for, and hold the other Parties harmless against, any loss, damage, obligation and expense resulting from any litigation, claim or other request to the other Parties which occurs or arises out of such Party's performance of its obligations under this Agreement and any commercial contract.

6. Effectiveness

This Agreement shall become effective upon its execution by the authorized representatives of all Parties hereto on the date first written above.

7. Governing Law and Dispute Resolution

The PRC law shall govern the execution, validity, interpretation, amendment, termination and resolution of disputes arising out of this Agreement. The PRC law referred to herein does not include the laws of Taiwan, the Hong Kong Special Administration Region or the Macau Special Administration Region.

Any dispute arising from or related to this Agreement shall be settled first through friendly negotiations. If such dispute cannot be settled within thirty (30) days after the start of negotiations, it shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration and be arbitrated in Beijing, China in accordance with its arbitration rules when such arbitration application was submitted. The arbitral award shall be final and binding upon all Parties. Unless otherwise decided by the arbitration commission, arbitration fees and other expenses in relation to such arbitration shall be borne by the losing Party.

8. Force Majeure

"Force majeure" means any unforeseeable circumstance which is beyond the control of a Party, or any unavoidable event, even if foreseeable, as a result of which such Party is unable to perform its obligations, in whole or in part, under this Agreement. Such circumstances include, but are not limited to, any strike, factory closure, explosion, maritime peril, natural disaster, act by a public enemy, fire, flood, accident, war, riot, insurgence or any other similar event.

Should the affected Party be prevented from performing its obligations hereunder due to any force majeure event, the aforesaid obligations shall be suspended during the continuation of such force majeure event, and the time for performing such obligations shall be extended automatically until the force majeure event ends. The affected Party shall not be liable for its non-performance during the force majeure event.

Any Party encountering a force majeure event shall forthwith notify the other Parties in writing and supply proper evidence of the inception of the force majeure event and its continuing period. Such Party shall make every reasonable endeavor to mitigate the damages of such event of force majeure.

If a force majeure event occurs, the Parties shall forthwith negotiate a fair solution, and shall make any and all reasonable efforts to minimize the effects of any event of force majeure.

If the force majeure event lasts over ninety (90) days and the Parties fail to reach any agreement on a just solution, any of the Parties shall be entitled to terminate this Agreement. In case of termination of this Agreement pursuant to the aforesaid provision, none of the Parties shall have any rights or obligations subsequent thereto, but the rights and obligations of each Party arising hereunder before such termination shall not be affected.

9. Miscellaneous

9.1 Notice

Any notice or other communication sent by any Party shall be written in Chinese, and sent by mail or facsimile transmission to the addresses of the other Parties set forth below or to other designated addresses previously notified by any such other Party. If any Party changes its address, it shall notify the other Parties of such change in a timely and effective manner. The dates on which such notices are deemed to have been effectively given shall be determined as follows:

- (A) Notices given by personal delivery shall be deemed effectively given on the date of personal delivery;
- (B) Notices sent by registered airmail (postage prepaid) shall be deemed effectively given on the seventh (7th) day after the date on which they were mailed (as indicated by the postmark), or notices sent by a courier recognized by the Parties shall be deemed effectively given on the third (3rd) day after they were sent to such courier service agency; and
- (C) Notices sent by facsimile transmission shall be deemed effectively given on the first (1st) business day following the date of transmission, as indicated on the document.

Lender: Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]
Attention: Tianquan Mo

Borrower I: Tianquan Mo
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]

Borrower II: Yu Huang
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]

9.2 Non-implied Waiver

The failure of one Party to exercise its rights to investigate the breach of any other Party under a special circumstance shall not be deemed as a waiver of such rights in other similar cases.

9.3 Severability

If any provision or portion of this Agreement is determined to be invalid, illegal, or unenforceable, or in conflict with public interests under any applicable PRC laws, the validity, legality and enforceability of the remaining provisions hereunder shall not in any way be affected or impaired. All Parties shall negotiate sincerely to reach an agreement to replace the invalid provision with a provision satisfactory to all Parties.

9.4 Copies

This Agreement is made in Chinese. This Agreement and its amendment or any other agreements (or documents) submitted based upon this Agreement can be executed in one or more counterparts. Any Party may sign one copy and send such copy by facsimile transmission to the other Parties, but shall forthwith send the original one. All signed documents shall constitute one and the same agreement (or documents), which shall become effective after all Parties sign one or more documents and send them to the other Parties (unless otherwise provided in the original of such documents).

9.5 Amendment

This Agreement can be amended only upon execution of a written document by all Parties.

Lender (Seal): Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

Authorized agent: /s/ Tianquan Mo

Borrower I: Tianquan Mo

Signature: /s/ Tianquan Mo

Borrower II: Yu Huang

Signature: /s/ Yu Huang

EQUITY PLEDGE AGREEMENT

This Equity Pledge Agreement (this “**Agreement**”) is made and entered into by the parties below on June 11, 2018 in Beijing:

Pledgee:

Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd., a wholly foreign owned enterprise established in China with its registered address at Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing

Pledgor I: Tianquan Mo, Chinese, ID No.: [REDACTED], address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Pledgor II: Yu Huang, Chinese, ID No.: [REDACTED], address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Pledgor I and Pledgor II are hereinafter referred to as the “**Pledgor(s)**,” and the Pledgee and the Pledgors, collectively, the “**Parties**.” Pledgor I and Pledgor II pledge all of their equity interests in Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd. The pledge amount is the entire registered capital of the company, which is RMB 1,500,000 recorded on the business license of the company, and the target of the pledge is the 100% equity interest in the company. Pledgor I pledges its equity interests of 80% in the company (i.e., 80% of the company’s entire equity interests, representing RMB1,200,000 in the registered capital), and the respective amount of the secured claim is RMB1,200,000 (i.e., securing 80% of the debts owed by the company to the Pledgee).

Pledgor II pledges its equity interests of 20% in the company (i.e., 20% of the company’s entire equity interests, representing RMB300,000 in the registered capital), and the respective amount of the secured claim RMB 300,000 (i.e., securing 20% of the debts owed by the company to the Pledgee).

Whereas:

Each Pledgor is a PRC citizen holding equity interests of 80% (i.e., RMB1,200,000) and 20% (i.e. RMB300,000), respectively, in Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd. (hereinafter referred to as “**Beijing Zhong Zhi Hong Yuan**”).

Beijing Zhong Zhi Hong Yuan, a company registered in Beijing, China, is engaged in the business of technology services; information consulting (excluding agency services); design, produce, and publish advertisements and act as advertising agency; sales of computers, software and auxiliary equipment, hardware and electrical appliance (excluding electric bicycles, and not operating in physical stores), machinery and equipment; as well as Internet information services.

The Pledgee is a wholly foreign owned enterprise registered in Beijing, China, licensed by relevant government departments to lawfully engage in the business of development and production of computer multimedia system software; provision of electronic and information technology services; as well as sales of self-produced products. The Pledgee and Beijing Zhong Zhi Hong Yuan which is owned by the Pledgors have entered into the Exclusive Technical Consultancy and Services Agreement (hereinafter referred to as the “**Service Agreement**”) on June 11, 2018.

In order to ensure that the Pledgee can collect consulting and services fees pursuant to the Service Agreement from Beijing Zhong Zhi Hong Yuan which is owned by the Pledgors, the Pledgors hereby pledge all of their Equity Interests in Beijing Zhong Zhi Hong Yuan (i.e., RMB1,500,000) to the Pledgee as a guarantee for the payment of the consulting and services fees under the Service Agreement. Pledgor I pledges its equity interests of 80% in Beijing Zhong Zhi Hong Yuan (i.e., 80% of the company’s entire equity interests, representing RMB1,200,000 in the registered capital), and the respective amount of the secured claim is RMB1,200,000 (i.e., securing 80% of the debts owed by the company to the Pledgee). Pledgor II pledges its equity interests of 20% in Beijing Zhong Zhi Hong Yuan (i.e., 20% of the company’s entire equity interests, representing RMB300,000 in the registered capital), and the respective amount of the secured claim RMB 300,000 (i.e., securing 20% of the debts owed by the company to the Pledgee).

NOW, THEREFORE, the Pledgors and the Pledgee, through negotiations on the principle of equality, agree as follows:

1. Definition

Unless otherwise provided in this Agreement, the following terms shall have the following meanings:

- 1.1 **Right of Pledge:** as specified in Article 2 of this Agreement.
- 1.2 **Equity Interests:** 100% of the equity interests held by the Pledgors in Beijing Zhong Zhi Hong Yuan, representing RMB1,500,000 in the registered capital.
- 1.3 **Term of Pledge:** the term specified in Article 3 hereunder.
- 1.4 **Service Agreement:** the Exclusive Technical Consultancy and Services Agreement entered into by Beijing Zhong Zhi Hong Yuan and the Pledgee on June 11, 2018.
- 1.5 **Breach of Agreement:** any circumstance specified in Article 6.1 hereunder.
- 1.6 **Notice of Breach:** a notice sent by the Pledgee under this Agreement declaring a Breach of Agreement.
- 1.7 Terms not specifically defined hereunder shall have the same meaning as the corresponding terms contained in the Service Agreement.

2. Pledge and Right of Pledge

- 2.1 The Pledgors pledge all their Equity Interests in Beijing Zhong Zhi Hong Yuan to the Pledgee. The Right of Pledge means the priority right enjoyed by the Pledgee to claim the consulting and services fees, which the Pledgee is entitled to under the Service Agreement from funds obtained through conversion, auction or sale of the Equity Interests that the Pledgors pledge to the Pledgee.

3. Term of Pledge

- 3.1 This Agreement shall become effective upon its execution by the authorized representatives of all Parties hereto on the date first written above. The pledge of Equity Interest under this Agreement shall come into force upon the date when the pledge of Equity Interests hereunder is recorded in accordance with applicable laws, and such pledge shall remain valid till June 11, 2028. The Term of Pledge can be extended for ten (10) years upon expiration, at the option of the Pledgee. Thereafter, the Pledgee is entitled to unilaterally extend the term of this Agreement, and the Pledgors must unconditionally consent to the Pledgee's decision to extend the term of this Agreement.
- 3.2 During the Term of Pledge, the Pledgee is entitled to exercise its Right of Pledge should Beijing Zhong Zhi Hong Yuan not disburse part or all of the consulting and services fees under the Service Agreement.

4. Custody of the Certificate for Pledge

- 4.1 During the Term of Pledge under this Agreement, the Pledgee shall keep in custody the investment certificates of the Equity Interests in Beijing Zhong Zhi Hong Yuan and the register of shareholders of Beijing Zhong Zhi Hong Yuan in which the pledge of the Equity Interests hereunder is recorded. Within one (1) week of the execution of this Agreement, the Pledgors shall deliver these aforesaid documents to the Pledgee.
- 4.2 The Pledgee is entitled to collect dividends arising out of the Equity Interests.

5. Representations and Warranties of the Pledgors

- 5.1 The Pledgors are PRC citizens with full capacity for civil act, with full and independent legal status, and are legally competent to sign, deliver and perform this Agreement. Each of the Pledgors can sue or be sued in a litigation.
- 5.2 The Pledgors are the lawful owners of the Equity Interests.
- 5.3 The Pledgors can sign this Agreement without the consent of any third party.
- 5.4 When exercising its Right of Pledge under this Agreement, the Pledgee shall not be interfered by any other party.

- 5.5 Except for the Right of Pledge, there are no other liens, pledges, mortgages, claims or other guarantee rights, or restrictions imposed by or belonging to any third party, in the Equity Interests.
- 5.6 Without the prior written consent of the Pledgee, the Pledgors shall not transfer the Equity Interests, nor shall they establish or permit to be established any liens, pledges, mortgages, claims or other guarantee rights, or restrictions in favor of any third party, that may affect the rights and interests of the Pledgee.
- 5.7 The Pledgors shall observe and comply with any and all provisions of laws and regulations concerning the pledge. Within five (5) days after receiving any notice or decree issued or provided by relevant authorities, the Pledgors shall present such notice or decree to the Pledgee, and issue opinion on the aforesaid matters upon the reasonable request of the Pledgee.
- 5.8 The Pledgors shall promptly notify the Pledgee of any event or circumstance that may affect the Equity Interests pledged, change any of the Pledgors' warranties and obligations, or affect the performance of the Pledgors' obligations hereunder.
- 5.9 The Pledgors hereby agree that the Right of Pledge to be exercised by the Pledgee shall not be disrupted or impaired by the Pledgors, the Pledgors' successors, or trustees, or any other person.
- 5.10 Each of the Pledgors has full power to sign, deliver and perform this Agreement. This Agreement shall be signed and delivered by the Pledgors legally and properly. This Agreement shall be binding upon the Pledgors and may be enforced against the Pledgors in accordance with the terms and conditions hereunder.
- 5.11 The Pledgors shall complete the procedures for registration and filing with the relevant government departments, including but not limited to the State Administration of Industry and Commerce in China (if needed).
- 5.12 In the interests of the Pledgee, the Pledgors shall observe and perform all of the aforesaid warranties, undertakings, agreements, representations and conditions. Should any of the Pledgors not perform or fully perform such warranties, undertakings, agreements, representations and conditions, it shall be liable for damages to the Pledgee for any loss suffered by the Pledgee arising therefrom.

6. Breach of Agreement

- 6.1 Any of the following events shall be deemed a Breach of Agreement:
- 6.1.1 Beijing Zhong Zhi Hong Yuan fails to promptly disburse the total consulting and services fees under the Service Agreement.
- 6.1.2 Any of the representations and warranties contained in Article 5 are materially misleading or false, and/or the Pledgors breach any of the representations and warranties contained in Article 5.
- 6.1.3 The Pledgors breach any of the terms and conditions of this Agreement.
- 6.1.4 Unless otherwise agreed under Article 5.6, the Pledgors forfeit the Equity Interests pledged or transfer such Equity Interests without the written consent of the Pledgee.
- 6.1.5 Any loan, guaranty, indemnification, undertaking or other responsibility that Beijing Zhong Zhi Hong Yuan owes to any third party (1) is requested to be repaid or performed in advance due to breach of contract by Beijing Zhong Zhi Hong Yuan; or (2) is due but not repaid or performed by Beijing Zhong Zhi Hong Yuan such that the Pledgee believes that the capacity of Beijing Zhong Zhi Hong Yuan to perform its obligations has been affected thereby.
- 6.1.6 The Pledgors fail to repay any of their own debts.
- 6.1.7 This Agreement becomes illegal due to the publication of relevant laws or the Pledgors fail to continue performing their obligations hereunder.
- 6.1.8 Any consent, approval or authorization by government organizations required to render this Agreement enforceable, legal, or valid is rescinded, terminated, invalidated or materially amended.
- 6.1.9 Properties owned by the Pledgors have suffered an adverse change such that the Pledgee believes that the capacity of the Pledgors to perform their obligations has been adversely affected thereby.

6.1.10 The successor or custodian of Beijing Zhong Zhi Hong Yuan performs only part of, or refuses to perform, the payment obligations under the Service Agreement.

6.1.11 The Pledgee is unable to exercise its Right of Pledge under the relevant laws.

6.2 The Pledgors shall notify the Pledgee in writing if the Pledgors become aware of, or find out about, the occurrence of any of the events or circumstances specified in Article 6.1 or occurrences that may lead to the aforesaid events or circumstances.

6.3 Unless the events or circumstances specified in Articles 6.1 under this Agreement have been settled to the Pledgee's satisfaction, the Pledgee may send a Notice of Breach in writing to the Pledgors at any time during or after a Breach of Agreement by the Pledgors, requesting the Pledgors to forthwith pay any and all debts under the Service Agreement and other debts due, or it may exercise its Right of Pledge in accordance with the provisions contained in Article 7 hereunder.

7. Exercise of Right of Pledge

7.1 Before repaying in full the consulting and services fees under the Service Agreement, the Pledgors shall not transfer the Equity Interests pledged without the written consent of the Pledgee.

7.2 The Pledgee shall send a Notice of Breach to the Pledgors when the Pledgee exercises its Right of Pledge.

7.3 The Pledgee can exercise its Right of Pledge when it sends a Notice of Breach or at any time after sending such Notice in accordance with the provisions contained in Article 6.3.

7.4 The Pledgee has priority in receiving repayment from funds obtained through conversion, auction or sale of part or all of the Equity Interests under this Agreement pursuant to legal procedures, until the consulting and services fees remaining unpaid under the Service Agreement and all other payments due have been paid off.

7.5 When the Pledgee exercises its Right of Pledge under this Agreement, the Pledgors shall not obstruct such exercise in any way and shall instead render any necessary assistance so that the Pledgee can realize its Right of Pledge.

8. Transfer

8.1 Unless previously consented to in writing by the Pledgee, none of the Pledgors shall have any right to donate or transfer the rights and obligations under this Agreement.

8.2 This Agreement shall be binding upon the Pledgors, the Pledgors' successors and transferees of the Equity Interests pledged with the consent of the Pledgee, and shall remain a valid obligation on the Pledgee and any of its successors and transferees.

8.3 The Pledgee can transfer, at any time, any and all rights and obligations under the Service Agreement to any person designated by the Pledgee. Under such circumstances, the transferee shall have the same rights and obligations of the Pledgee under this Agreement as if it were a Party hereto. The Pledgors shall sign any relevant agreements and/or documents effecting such transfer upon the request of the Pledgee when the Pledgee transfers the aforesaid rights and obligations.

8.4 If the identity of the Pledgee or Pledgors changes due to the aforesaid transfer of the rights and obligations herein, the new parties involved in the pledge shall sign a new pledge agreement.

9. Termination

9.1 When the consulting and services fees under the Service Agreement are fully repaid and Beijing Zhong Zhi Hong Yuan has performed all other obligations under the Service Agreement, this Agreement shall be terminated.

10. Expenses

10.1 Any and all expenses relating to this Agreement, to the extent reasonable, including but not limited to the legal fees, production costs, stamp duties and any other taxes and expenses, shall be borne by the Pledgors. Should the Pledgee pay any such expenses or taxes, the Pledgors shall fully reimburse the Pledgee for the aforesaid expenses or taxes paid by the Pledgee.

10.2 The Pledgee may take any measure to claim from the Pledgors any such expenses or taxes arising under this Agreement or such other expenses or taxes that the Pledgors agreed to pay but have not yet paid. Any and all expenses (including but not limited to taxes and expenditures, handling charges, overhead expenses, legal costs, attorney's fees and insurance premiums) arising out of the aforesaid claims shall be borne by the Pledgors.

11. Force Majeure

11.1 "Force majeure" means any unforeseeable circumstance which is beyond the control of a Party, or any unavoidable event, even if foreseeable, as a result of which such Party is unable to perform its obligations, in whole or in part, under this Agreement. Such circumstances include, but are not limited to, any strike, factory closure, explosion, maritime peril, natural disaster, act by a public enemy, fire, flood, accident, war, riot, insurgence or any other similar event.

11.2 Should the affected Party be prevented from performing its obligations hereunder due to any force majeure event, the aforesaid obligations shall be suspended during the continuation of such force majeure event, and the time for performing such obligations shall be extended automatically until the force majeure event ends. The affected Party shall not be liable for its non-performance during the force majeure event.

11.3 Any Party encountering a force majeure event shall forthwith notify the other Parties in writing and supply proper evidence of the inception of the force majeure event and its continuing period. Such Party shall make every reasonable endeavor to mitigate the damages of such event of force majeure.

11.4 If a force majeure event occurs, the Parties shall forthwith negotiate a fair solution, and shall make any and all reasonable efforts to minimize the effects of any event of force majeure.

11.5 If the force majeure event lasts over ninety (90) days and the Parties fail to reach any agreement on a just solution, any of the Parties shall be entitled to terminate this Agreement. In case of termination of this Agreement pursuant to the aforesaid provision, none of the Parties shall have any rights or obligations subsequent thereto, but the rights and obligations of each Party arising hereunder before such termination shall not be affected.

12. Dispute Resolution

12.1 The PRC law shall govern the execution, validity, interpretation, amendment, termination and resolution of disputes arising out of this Agreement. The PRC law referred to herein does not include the laws of Taiwan, the Hong Kong Special Administration Region or the Macau Special Administration Region.

12.2 Any dispute arising from or related to this Agreement shall be settled first through friendly negotiations. If such dispute cannot be settled within thirty (30) days after the start of negotiations, it shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration and be arbitrated in Beijing, China in accordance with its arbitration rules when such arbitration application was submitted. The arbitral award shall be final and binding upon all Parties. Unless otherwise decided by the arbitration commission, arbitration fees and other expenses in relation to such arbitration shall be borne by the losing Party.

13. Notice

13.1 Any notice or other communication sent by any Party shall be written in Chinese, and sent by mail or facsimile transmission to the addresses of the other Parties set forth below or to other designated addresses previously notified by any such other Party. If any Party changes its address, it shall notify the other Parties of such change in a timely and effective manner. The dates on which such notices are deemed to have been effectively given shall be determined as follows:

- (A) Notices given by personal delivery shall be deemed effectively given on the date of personal delivery;
- (B) Notices sent by registered airmail (postage prepaid) shall be deemed effectively given on the seventh (7th) day after the date on which they were mailed (as indicated by the postmark), or notices sent by a courier recognized by the Parties shall be deemed effectively given on the third (3rd) day after they were sent to such courier service agency; and
- (C) Notices sent by facsimile transmission shall be deemed effectively given on the first (1st) business day following the date of transmission, as indicated on the document.

Pledgee: Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.
Address: Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]

Pledgor I: Tianquan Mo
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]

Pledgor II: Yu Huang
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]

14. Schedule

14.1 The schedules contained herein constitute an integral part of this Agreement.

15. Effectiveness

15.1 This Agreement and any amendment, supplement or modification hereto shall be made in writing and come into force upon execution and seal of the Parties.

15.2 This Agreement is made in Chinese with five (5) copies.

SHAREHOLDERS' PROXY AGREEMENT

This Agreement is made and entered into by the Parties below on June 11, 2018 in Beijing.

1. **Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd. ("Beijing Zhong Zhi Shi Zheng")** Registered Address: Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing;
2. **Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd. ("Beijing Zhong Zhi Hong Yuan")** Registered Address: Room 1105, 11th Floor, Building No. 2, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing;
3. **Tianquan Mo**
PRC ID No.: [REDACTED]
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
4. **Yu Huang**
PRC ID No.: [REDACTED]
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Tianquan Mo and Yu Huang are hereinafter collectively referred to as the "Shareholders."

WHEREAS

1. The Shareholders are all the current shareholders of Beijing Zhong Zhi Hong Yuan, holding all the equity interests in Beijing Zhong Zhi Hong Yuan; and
2. Each of the Shareholders intends to appoint Beijing Zhong Zhi Shi Zheng to act as its proxy to exercise its voting rights in Beijing Zhong Zhi Hong Yuan, and Beijing Zhong Zhi Shi Zheng intends to accept such appointment.

The Parties through friendly negotiations hereby agree as follows:

Article 1 Proxy

- 1.1 The Shareholders hereby irrevocably appoint Beijing Zhong Zhi Shi Zheng, to act as proxy for the Shareholders to exercise their respective rights described below (the "Proxy Rights") which the Shareholders are entitled to as shareholders of Beijing Zhong Zhi Hong Yuan under the Articles of Association of Beijing Zhong Zhi Hong Yuan then in effect:
 - (1) to represent the Shareholders to attend meetings of shareholders ("Shareholders Meetings") of Beijing Zhong Zhi Hong Yuan;
 - (2) to represent the Shareholders to vote on all matters to be discussed and resolved by the Shareholders;
 - (3) to propose to convene interim Shareholders Meetings;
 - (4) other shareholders' voting rights under the Articles of Association of Beijing Zhong Zhi Hong Yuan (including any other shareholders' voting rights provided in the amendments to such Articles of Association, if any).
- 1.2 The Shareholders shall recognize any legal consequence arising out of exercising the aforesaid Proxy Rights by Beijing Zhong Zhi Shi Zheng and shall bear corresponding responsibilities therefor.
- 1.3 The Shareholders hereby confirm that Beijing Zhong Zhi Shi Zheng can exercise the aforesaid Proxy Rights without seeking the opinions of the Shareholders. Beijing Zhong Zhi Shi Zheng shall notify the Shareholders in a timely manner of any resolution, or any proposal to hold interim Shareholders Meetings, after such resolution or proposal is made.

Article 2 Rights to Know

- 2.1 In order to exercise the Proxy Rights hereunder, Beijing Zhong Zhi Shi Zheng is entitled to inspect all relevant information about the operations, businesses, customers, finances, employees and the like of Beijing Zhong Zhi Hong Yuan, and refer to any relevant materials and documents of Beijing Zhong Zhi Hong Yuan and Beijing Zhong Zhi Hong Yuan shall render its full cooperation.

Article 3 Exercise of the Proxy Rights

- 3.1 The Shareholders shall recognize that Beijing Zhong Zhi Shi Zheng may re-appoint, when necessary, specific person(s) in itself, to act as proxy for Beijing Zhong Zhi Shi Zheng to exercise any or all of its Proxy Rights within the scope of Article 1 and the Shareholders shall agree to bear all corresponding legal responsibilities.
- 3.2 The Shareholders shall render full assistance to Beijing Zhong Zhi Shi Zheng in exercising its Proxy Rights, including the timely signing of resolutions of the Shareholders Meetings or other relevant legal documents of Beijing Zhong Zhi Hong Yuan when necessary (e.g. upon the request of government departments to submit documents for examination and approval, registration and reference).
- 3.3 If, at any time during the term of this Agreement and for any reason, the Proxy Rights hereunder cannot be granted or exercised (except for breach of this Agreement by the Shareholders or Beijing Zhong Zhi Hong Yuan), the Parties shall forthwith seek a substitute similar to this Agreement, and sign, when necessary, a supplemental agreement to amend or modify the terms and conditions herein in order to ensure the continuing performance of this Agreement.

Article 4 Exemption and Compensation

- 4.1 The Parties hereby confirm that Beijing Zhong Zhi Shi Zheng shall not be required to bear any responsibility for, or make any compensation, financially or otherwise, to the other Parties or any third party, with respect to the exercise of the Proxy Rights under this Agreement.
- 4.2 The Shareholders and Beijing Zhong Zhi Hong Yuan hereby agree to indemnify Beijing Zhong Zhi Shi Zheng for, and hold it harmless against, all losses suffered or likely to be suffered from exercising the Proxy Rights, including but not limited to any loss resulting from any litigation, collection, arbitration, claim or administrative investigation or punishment by governmental agency brought by any third party. However, losses due to intentional or serious misconduct of Beijing Zhong Zhi Shi Zheng shall not be compensated.

Article 5 Representations and Warranties

- 5.1 The Shareholders hereby respectively and jointly represent and warrant as follows:
- 5.1.1 Each party is a PRC citizen with full capacity for civil conduct, and has full and independent legal status and capacity to sign, deliver and perform this Agreement. It can become a party as the subject of litigation independently.
- 5.1.2 Each party has full power to sign and deliver this Agreement and all other documents related to the transactions described herein and to be signed by such party and each party has full power to complete the transactions described in this Agreement. This Agreement shall be binding upon, and may be enforced against, such Party in accordance with the terms and conditions hereunder.
- 5.1.3 Each party is a legal shareholder of Beijing Zhong Zhi Hong Yuan at the time this Agreement comes into force. Other than the rights defined under this Agreement, no third-party rights exist in the Proxy Rights. Under this Agreement, Beijing Zhong Zhi Shi Zheng may fully and completely exercise such Proxy Rights in accordance with the Articles of Association of Beijing Zhong Zhi Hong Yuan then in effect.
- 5.2 Beijing Zhong Zhi Shi Zheng and Beijing Zhong Zhi Hong Yuan hereby respectively represent and warrant as follows:
- 5.2.1 Each party is a company with limited liability duly organized and validly existing under the laws where it is registered, with the qualification of independent legal person and fully independent legal status, and is legally competent to execute, deliver and undertake this Agreement. It can become a party as the subject of litigation independently.

5.2.2 Each party has full power and authorization to sign and deliver this Agreement and all other documents related to the transactions described herein and to be signed by such party; and each party has full power and authorization to complete the transactions described in this Agreement.

5.3 Beijing Zhong Zhi Hong Yuan hereby declares and warrants as follows:

5.3.1 The Shareholders are all the legal shareholders registered in Beijing Zhong Zhi Hong Yuan when this Agreement comes into force. Under this Agreement, Beijing Zhong Zhi Shi Zheng can fully and completely exercise its Proxy Rights in accordance with the Articles of Association of Beijing Zhong Zhi Hong Yuan then in effect.

Article 6 Term of this Agreement

6.1 This Agreement shall come into force upon due execution on the date first written above. Unless it is agreed in writing by the parties herein to terminate in advance, the term of this Agreement shall be extended indefinitely, provided that any of the Shareholders remains a shareholder of Beijing Zhong Zhi Hong Yuan.

6.2 If any of the Shareholders transfers all its equity interest in Beijing Zhong Zhi Hong Yuan with prior consent of Beijing Zhong Zhi Shi Zheng, such party shall no longer be a party herein, but the obligations and undertakings of the other parties herein shall not be affected.

Article 7 Notice

7.1 Any notice or other communication sent by any Party shall be written in Chinese, and sent by mail or facsimile transmission to the addresses of the other Parties set forth below or to other designated addresses previously notified by any such other Party. If any Party changes its address, it shall notify the other Parties of such change in a timely and effective manner. The dates on which such notices are deemed to have been effectively given shall be determined as follows:

- (A) Notices given by personal delivery shall be deemed effectively given on the date of personal delivery;
- (B) Notices sent by registered airmail (postage prepaid) shall be deemed effectively given on the seventh (7th) day after the date on which they were mailed (as indicated by the postmark), or notices sent by a courier recognized by the Parties shall be deemed effectively given on the third (3rd) day after they were sent to such courier service agency; and
- (C) Notices sent by facsimile transmission shall be deemed effectively given on the first (1st) business day following the date of transmission, as indicated on the document.

Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.
Address: Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]
Attention: Tianquan Mo

Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.
Address: Room 1105, 11th Floor, Building No. 2, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]
Attention: Tianquan Mo

Shareholder: Tianquan Mo
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]

Shareholder: Yu Huang
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]

Article 8 Breach and Liabilities

- 8.1 The parties herein hereby agree and confirm that if one party (“**Breaching Party**”) materially breaches any of the agreed terms and conditions under this Agreement, or materially fails to perform any of its obligations herein, such Breaching Party shall be deemed to have breached this Agreement (“**Breach**”), any of the other non-breaching parties (“**Non-Breaching Parties**”) is entitled to request the Breaching Party to redress or take remedial measures within a reasonable time period. If the Breaching Party, within a reasonable time period or within thirty (30) days upon receiving the written notice from any Non-Breaching Party requesting redress, but fails to redress or take remedial measures, then (1) Beijing Zhong Zhi Shi Zheng shall be entitled to terminate this Agreement and claim damages from the Breaching Party should the Shareholders or Beijing Zhong Zhi Hong Yuan breach this Agreement; (2) the Non-Breaching Parties shall be entitled to claim damages but not be entitled to terminate or abrogate this Agreement or trust herein should Beijing Zhong Zhi Shi Zheng breach this Agreement.
- 8.2 Notwithstanding the other provisions herein, the validity of this Article shall not be affected by the suspension or termination of this Agreement.

Article 9 Miscellaneous

- 9.1 This Agreement is made in Chinese with four (4) original copies in total, each Party to hold one.
- 9.2 The Laws of the People’s Republic of China shall govern the conclusion, effectiveness, performance, amendment, interpretation and termination of this Agreement. The Laws of the People’s Republic of China referred to herein does not include the laws of Taiwan, the Hong Kong Special Administration Region or the Macau Special Administration Region.
- 9.3 Any dispute arising hereof or other relevant disputes shall be settled through negotiations. If such dispute cannot be settled within thirty (30) days after the negotiations start, it shall be submitted to the China International Economic and Trade Arbitration Commission and arbitrated in Beijing in accordance with the arbitration rules of such arbitration commission. The arbitration award shall be accepted as final and binding upon the Parties.
- 9.4 Any rights, power or remedy of the parties under any term and conditions herein shall not deprive such parties of any other rights, power or remedy under the laws and this Agreement. A party’s exercise of its rights, power and remedy shall not affect the exercise of its other rights, powers and remedies.
- 9.5 One party’s failure to exercise or delay in exercising any of its rights, powers or remedies (“**Rights of Such Party**”) under this Agreement or laws shall not lead to the waiver of the Rights of Such Party. Any individual or partial waiver of the Rights of Such Party shall not deprive such party’s rights in exercising in other ways of the Rights of Such Party or exercise other rights of such party.
- 9.6 The title of each article is for reference and shall under no circumstance be used for, or affect, the interpretation of the terms and conditions hereunder.
- 9.7 Any of the terms and conditions hereunder can be severed and independent from the others. If one or more of such terms and conditions shall be invalid, illegal, or unenforceable, the validity, legality and enforceability of the remaining terms and conditions hereunder shall not be in any way affected or impaired.
- 9.8 Any amendment and supplement to this Agreement shall be made in writing, and come into force upon proper signature by the parties herein.
- 9.9 Without the prior written consent of the other parties herein, any party shall not transfer any of its rights and/or obligations hereunder to any third party.
- 9.10 This Agreement shall be binding upon each party’s legal successors and transferees permitted by the other parties as if they were a contracting party to this Agreement.

[Signature Page to Shareholders' Proxy Agreement]

Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd. (Seal)

Legal representative or authorized agent (Signature): /s/ Tianquan Mo

Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd. (Seal)

Legal representative or authorized agent (Signature): /s/ Yu Huang

Tianquan Mo

Signature: /s/ Tianquan Mo

Yu Huang

Signature: /s/ Yu Huang

OPERATING AGREEMENT

This Agreement is made and entered into by the Parties below on June 11, 2018 in Beijing.

Party A: Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

Registered Address: Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing

Party B: Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.

Registered Address: Room 1105, 11th Floor, Building 2, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Party C: Tianquan Mo

Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Party D: Yu Huang

Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

WHEREAS:

1. Party A is a wholly foreign owned enterprise established in People's Republic of China ("China");
2. Party B is a wholly domestically funded company registered in China, with the approval of Beijing Administration of Industry and Commerce to engage in the Internet information service business;
3. Party A and Party B have established a business relationship through an Exclusive Technical Consultancy and Services Agreement;
4. Pursuant to the Exclusive Technical Consultancy and Services Agreement between Party A and Party B, Party B shall pay Party A certain specified amounts, which have not yet been paid by Party B, while Party B's daily operations have a material effect on the ability of Party B to pay such remuneration to Party A;
5. Party C is a shareholder of Party B, holding 80% equity interests in Party B;
6. Party D is a shareholder of Party B, holding 20% equity interests in Party B; and
7. Party A, Party B, Party C and Party D hereby agree to further identify matters in relation to the operation of Party B's business pursuant to this Agreement.

NOW, THEREFORE, the Parties hereof through negotiation agree as follows:

1. When Party B enters into a business contract or agreement with any third party ("**Third Party**") and is in line with the relevant terms and conditions hereunder, Party A hereby agrees that it shall sign, with such Third Party upon its request, a written agreement to be the performance guarantor of Party B by furnishing complete guaranty for Party B's performance under such contract or agreement in order to ensure the normal operation of Party B's business. As counter security, Party B hereby agrees that it shall mortgage to Party A its accounts receivable and all of its assets.
2. In accordance with the provisions of Article 1 and in order to guarantee the performance of all business agreements, including the Exclusive Technical Consultancy and Services Agreement, between Party A and Party B, and the disbursement of all accounts payable by Party B to Party A under the Exclusive Technical Consultancy and Services Agreement, Party B and its shareholders, Party C and Party D, hereby agree that Party B, without the prior written consent of Party A or its designee, shall not engage in any transaction that may materially affect the assets, obligations, rights and operations of Party B, including but not limited to the following:
 - 2.1 borrowing money or undertaking any obligation from any Third Party;

- 2.2 selling to or acquiring from any Third Party any assets or rights, including but not limited to any intellectual property rights;
- 2.3 providing security with the title of its assets or intellectual property rights for the benefit of any Third Party; and
- 2.4 Transferring rights and obligations herein to any Third Party.
3. In order to guarantee the performance of all business agreements, including the Exclusive Technical Consultancy and Services Agreement, between Party A and Party B, and the payment of all accounts payable by Party B to Party A under the Exclusive Technical Consultancy and Services Agreement, Party B and its shareholders, Party C and Party D, hereby agree to accept (1) company policies and instructions provided by Party A from time to time on the employment and termination of working staff, daily operations and management, and financial management systems and other similar policies; and (2) annual budget of Party B shall be reviewed and approved by Party A. The scope of the review includes but is not limited to profit forecast, working capital, pricing strategy and payment policy. Operating costs of Party B shall not exceed the annual budget approved by Party A.
4. Party B and its shareholders, Party C and Party D, hereby agree that Party B, Party C and Party D shall appoint the persons designated by Party A to be the directors of Party B, and senior management personnel employed by, and as designated by, Party A to be the general manager, chief financial officer and other senior management personnel of Party B. If the aforesaid directors or senior management personnel designated by Party A leave Party A, regardless of whether they resign or are dismissed by Party A, such persons shall lose the qualification of being in charge of any post of Party B. Under such circumstances, Party B, Party C and Party D shall appoint other senior management personnel designated by Party A to assume such posts.
5. Party C and Party D hereby agree that they shall, concurrently with the execution this Agreement, execute a corresponding Shareholders' Proxy Agreement under which Party C and Party D shall authorize and entrust Party A or a person designated by Party A to exercise any and all shareholders' rights of Party C and Party D to vote pursuant to provisions of laws and Party B's Articles of Association.
6. Party B and its shareholders, Party C and Party D, hereby agree and confirm that, apart from the agreed provisions in Article 1 herein, if Party B is in need of any other guaranty for Party B's performance or security for borrowing to finance its working capital, it shall first seek guaranty or security from Party A. Under such circumstances, Party A is entitled to decide whether to furnish proper guaranty or security for Party B based on Party A's own judgment. If Party A decides not to furnish such guaranty or security for Party B, it shall notify Party B in writing in time, and thereafter, Party B can seek guaranty or security from any Third Party. Party A hereby agrees and confirms that in the event of serious losses in Party B's business and operations, Party A is obliged to provide appropriate financial support or other forms of financial assistance at reasonable request of Party B. The specific form and plan of assistance shall be determined by negotiation between Party A and Party B according to the specific at- then circumstances of Party B.
7. In case of the termination or expiry of any agreement between Party A and Party B, Party A is entitled, but not obligated, to terminate all agreements between Party A and Party B, including but not limited to the Exclusive Technical Consultancy and Services Agreement.
8. Amendments and supplements to this Agreement shall be made in writing. Such amendments and supplements properly signed by the Parties shall constitute an integral part of this Agreement with the same validity.
9. This Agreement shall be governed by and interpreted in accordance with the PRC law. The PRC law referred to herein does not include the laws of Taiwan, the Hong Kong Special Administration Region or the Macau Special Administration Region.

10. Dispute Settlement

Any dispute arising from the interpretation of or the performance of the terms and conditions hereunder shall be settled through bona fide negotiations. If such dispute cannot be so settled, it may be submitted by any Party to the China International Economic and Trade Arbitration Commission and arbitrated in Beijing, China pursuant to the current arbitration rules. The language for arbitration will be Chinese. The arbitration award shall be accepted as final and binding upon the Parties.

11. Notice

Any notice or other communication sent by any Party shall be written in Chinese, and sent by mail or facsimile transmission to the addresses of the other Parties set forth below or to other designated addresses previously notified by any such other Party. If any Party changes its address, it shall notify the other Parties of such change in a timely and effective manner. The dates on which such notices are deemed to have been effectively given shall be determined as follows:

- (A) Notices given by personal delivery shall be deemed effectively given on the date of personal delivery;
- (B) Notices sent by registered airmail (postage prepaid) shall be deemed effectively given on the seventh (7th) day after the date on which they were mailed (as indicated by the postmark), or notices sent by a courier recognized by the Parties shall be deemed effectively given on the third (3rd) day after they were sent to such courier service agency; and
- (C) Notices sent by facsimile transmission shall be deemed effectively given on the first (1st) business day following the date of transmission, as indicated on the document.

Party A: Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

Address: Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing

Fax: [REDACTED]

Tel: [REDACTED]

Attention: Tianquan Mo

Party B: Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.

Address: Room 1105, 11th Floor, Building 2, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Fax: [REDACTED]

Tel: [REDACTED]

Attention: Tianquan Mo

Party C: Tianquan Mo

Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Fax: [REDACTED]

Tel: [REDACTED]

Party D: Yu Huang

Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Fax: [REDACTED]

Tel: [REDACTED]

- 12. This Agreement shall come into force upon signature by authorized representatives of the Parties hereof on the date contained at the beginning. This Agreement shall remain valid for ten (10) years unless it is terminated in advance pursuant to the terms and conditions hereunder. Party B, Party C and Party D hereby agree that the term of this Agreement, upon Party A's confirmation before termination, can be extended to a date designated in Party A's written confirmation.
- 13. This Agreement shall be terminated on the expiry date unless validity of the terms and conditions concerned herein is extended. During the term, Party B, Party C and Party D shall not terminate this Agreement. Notwithstanding the above, Party A can terminate this Agreement at any time by notifying Party B, Party C and Party D in writing thirty (30) days in advance.
- 14. This Agreement shall be binding upon each Party's successors and transferees permitted under this Agreement in the same effect as if they were contracting parties to this Agreement.

[Signature Page to Operating Agreement]

Party A (Seal): Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

Legal representative or authorized agent (Signature): /s/ Tianquan Mo

Party B (Seal): Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.

Legal representative or authorized agent (Signature): /s/ Yu Huang

Party C: Tianquan Mo

Signature: /s/ Tianquan Mo

Party D: Yu Huang

Signature: /s/ Yu Huang

EXCLUSIVE TECHNICAL CONSULTANCY AND SERVICES AGREEMENT

This Exclusive Technical Consultancy and Services Agreement (this “**Agreement**”) is made and entered into by the Parties below on June 11, 2018 in Beijing:

Party A: Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

Registered Address: Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing

Party B: Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.

Registered Address: Room 1105, 11th Floor, Building No. 2, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing

WHEREAS:

- (1) Party A is a wholly foreign owned enterprise registered and established on June 5, 2007 in Beijing, China, and engages in the business of development and production of computer multimedia system software; provision of electronic and information technology services; as well as sales of self-produced products;
- (2) Party B is a domestically funded enterprise registered and established on June 11, 2018 in Beijing, China, and, as approved by Beijing Industry and Commerce Administration, is authorized to engage in the business of technology services; information consulting (excluding agency services); design, produce, and publish advertisements and act as advertising agency; sales of computers, software and auxiliary equipment, hardware and electrical appliance (excluding electric bicycles, and not operating in physical stores), machinery and equipment; as well as Internet information services.; and
- (3) Party A hereby agrees to provide technical consulting and related services to Party B, and Party B agrees to accept such consulting and related services.

Party A and Party B are hereinafter each referred to as a “**Party**” and, collectively, the “**Parties**.”

NOW, THEREFORE, both Parties hereof through negotiations on the principle of equality agree as follows:

1. Technical Consulting and Related Services

- 1.1 During the term of this Agreement, Party A, as a provider of technical consulting and related services, hereby agrees to provide Party B with the technical consulting and related services specified in Schedule I under the terms and conditions contained herein.
- 1.2 Party B hereby agrees to accept such technical consulting and related services provided by Party A. Party B further agrees that it shall not, without the prior written consent of Party A, accept the aforesaid technical consulting and related services provided by any third party not a Party hereto during the term of this Agreement.

2. Exclusive Rights

- 2.1 Any and all rights, ownership interests and intellectual property rights including but not limited to copyrights, patents, technical know-how and trade secrets, no matter whether developed by Party A, or developed by Party B based on Party A’s intellectual property rights or services provided by Party A, shall be the exclusive property of Party A.

3. Fee for Technical Consulting and Related Services (the “Consulting and Services Fee”)

- 3.1 Party B hereby agrees to calculate and pay the fees for the technical consulting and related services arising hereunder pursuant to the method specified in Schedule II.

4. Guaranty for the Performance of this Agreement

4.1 In order to guarantee Party B's payment to Party A of the Consulting and Services Fee, Tianquan Mo and Yu Huang, as shareholders of Party B, are willing to pledge their equity interests in Party B to Party A and to sign a separate Equity Pledge Agreement with Party A.

5. Effectiveness and Term

5.1 This Agreement shall come into force upon its execution on the date first written above.

5.2 This Agreement shall remain valid for ten (10) years.

5.3 Party B hereby agrees that the term of this agreement shall be extended automatically for another ten (10) years unless Party A sends to Party B a written notice terminating this Agreement within six (6) months prior to the expiry date of this Agreement. Thereafter, Party A has the right to unilaterally extend the term of this Agreement in accordance with the aforementioned methods. Party B shall unconditionally consent to Party A's request for extension of the term.

6. Termination

6.1 This Agreement shall terminate on the expiry date unless it is terminated in advance in accordance with Article 6.2 hereunder.

6.2 During the term hereof, Party B may not terminate this Agreement prior to its expiry date unless any act of Party A constitutes a gross negligence, a violation of law, bankruptcy or a material breach of this Agreement. Party A, however, is entitled to terminate this Agreement at any time provided that it notifies Party B in writing thirty (30) days in advance.

7. Representations and Warranties

7.1 Party A hereby represents and warrants as follows:

7.1.1 Party A is a company duly registered and validly existing under the PRC law.

7.1.2 Party A has taken the necessary corporate actions and any other necessary steps to acquire the authorization to execute and perform this Agreement.

7.1.3 The execution and performance of this Agreement or observance of the terms and provisions hereof by Party A shall not:

- a) violate any law, regulation, rule, court order, judgment, finding, ban or mandate of government; or
- b) be in conflict with or contradict any term, provision, condition or prescription under any agreement, contract or document of Party B, restrict Party B's actions, or result in a breach of the aforesaid terms, provisions, conditions or prescriptions.

7.1.4 This Agreement, upon its execution, shall be legal, valid and binding upon Party A and shall be enforceable in accordance with the terms and conditions herein.

7.2 Party B hereby represents and warrants as follows:

7.2.1 Party B is a company duly registered and validly existing under the PRC law and is authorized to engage in the business of technology services; information consulting (excluding agency services); design, produce, and publish advertisements and as advertising agency; sales of computers, software and auxiliary equipment, hardware and electrical appliance (excluding electric bicycles, not operating in physical stores), machinery and equipment; as well as Internet information services.

7.2.2 Party B has taken the necessary corporate actions and any other necessary steps to acquire the authorization to execute and perform this Agreement.

7.2.3 The execution and performance of this Agreement and the observance of the terms and provisions hereunder by Party B shall not:

- a) violate any law, regulation, rule, court order, judgment, finding, ban or mandate of government; or
- b) be in conflict with or contradiction to any term, provision, condition or prescription under any agreement, contract or document of Party B or restrict Party B's actions, or result in a breach of the aforesaid terms, provisions, conditions or prescriptions.

7.2.4 This Agreement, upon its execution, shall be legal, valid and binding upon Party B and shall be enforceable in accordance with the terms and conditions herein.

8. Taxation

8.1 All taxes arising out of a Party's performance of this Agreement shall be borne by such Party.

9. Confidentiality

9.1 Each Party hereby agrees that it shall make every endeavor and take all reasonable measures to keep confidential the other Party's confidential materials and information ("**Confidential Information**") known or acquired by such Party due to the entry into and performance of this Agreement. Without prior written consent of the owner of the aforesaid Confidential Information, the other Party shall not divulge, grant or transfer to any third party such Confidential Information. Upon the termination of this Agreement, such Party shall return to the owner of such Confidential Information upon its request, or destroy any documents, materials, software or other sources carrying such Confidential Information, delete any such Confidential Information from any memory device and shall cease using such Confidential Information.

9.2 Both Parties hereby agree that this article shall remain valid no matter whether this Agreement is amended, cancelled or terminated.

10. Indemnification

10.1 Each Party shall indemnify the other Party for, and hold the other Party harmless against, any loss, damage, obligation or expense resulting from any litigation, claim or other request to the other Party which occurs or arises out of the other Party's performance of its obligations under this Agreement and any of its business contracts.

11. Governing Laws and Dispute Resolution

11.1 The PRC law shall govern the execution, validity, interpretation, amendment, termination and resolution of disputes arising out of this Agreement. The PRC law referred to herein does not include the laws of Taiwan, the Hong Kong Special Administration Region or the Macau Special Administration Region.

11.2 Any dispute arising from or related to this Agreement shall be settled first through friendly negotiations. If such dispute cannot be settled within thirty (30) days after the start of negotiations, it shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration and be arbitrated in Beijing, China in accordance with its arbitration rules when such arbitration application was submitted. The arbitral award shall be final and binding upon all Parties. Unless otherwise decided by the arbitration commission, arbitration fees and other expenses in relation to such arbitration shall be borne by the losing Party.

12. Force Majeure

12.1 "Force majeure" means any unforeseeable circumstance which is beyond the control of a Party, or any unavoidable event, even if foreseeable, as a result of which such Party is unable to perform its obligations, in whole or in part, under this Agreement. Such circumstances include, but are not limited to, any strike, factory closure, explosion, maritime peril, natural disaster, act by a public enemy, fire, flood, accident, war, riot, insurrection or any other similar event.

12.2 Should the affected Party be prevented from performing its obligations hereunder due to any force majeure event, the aforesaid obligations shall be suspended during the continuation of such force majeure event, and the time for performing such obligations shall be extended automatically until the force majeure event ends. The affected Party shall not be liable for its non-performance during the force majeure event.

- 12.3 Any Party encountering a force majeure event shall forthwith notify the other Parties in writing and supply proper evidence of the inception of the force majeure event and its continuing period. Such Party shall make every reasonable endeavor to mitigate the damages of such event of force majeure.
- 12.4 If a force majeure event occurs, the Parties shall forthwith negotiate a fair solution, and shall make any and all reasonable efforts to minimize the effects of any event of force majeure.
- 12.5 If the force majeure event lasts over ninety (90) days and the Parties fail to reach any agreement on a just solution, any of the Parties shall be entitled to terminate this Agreement. In case of termination of this Agreement pursuant to the aforesaid provision, none of the Parties shall have any rights or obligations subsequent thereto, but the rights and obligations of each Party arising hereunder before such termination shall not be affected.

13. Miscellaneous

13.1 Notice

Any notice or other communication sent by any Party shall be written in Chinese, and sent by mail or facsimile transmission to the addresses of the other Parties set forth below or to other designated addresses previously notified by any such other Party. If any Party changes its address, it shall notify the other Parties of such change in a timely and effective manner. The dates on which such notices are deemed to have been effectively given shall be determined as follows:

- (A) Notices given by personal delivery shall be deemed effectively given on the date of personal delivery;
- (B) Notices sent by registered airmail (postage prepaid) shall be deemed effectively given on the seventh (7th) day after the date on which they were mailed (as indicated by the postmark), or notices sent by a courier recognized by the Parties shall be deemed effectively given on the third (3rd) day after they were sent to such courier service agency; and
- (C) Notices sent by facsimile transmission shall be deemed effectively given on the first (1st) business day following the date of transmission, as indicated on the document.

Party A: Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

Address: Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]
Attention: Tianquan Mo

Party B: Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.

Address: Room 1105, 11th Floor, Building No. 2, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]
Attention: Tianquan Mo

13.2 Non-implied Waiver

The failure of one Party to exercise its rights to investigate the breach of the other Party under a special circumstance shall not be deemed as a waiver of such rights in other similar cases.

13.3 Severability

If any provision or portion of this Agreement is determined to be invalid, illegal, or unenforceable, or in conflict with public interests under any applicable PRC laws, the validity, legality and enforceability of the remaining provisions hereunder shall not in any way be affected or impaired. Both Parties shall negotiate sincerely to reach an agreement to replace the invalid provision with a provision satisfactory to both Parties.

13.4 Non-transfer

Without the prior written consent of the other Party, one Party may not transfer this Agreement or any rights or obligations hereunder. This Agreement shall be binding upon each Party's successors and transferees permitted under this Agreement in the same effect as if they were contracting parties to this Agreement.

13.5 Counterparts

This Agreement is made in Chinese. This Agreement and any amendment hereto may be executed in counterparts. Either Party may sign one copy and send such copy by facsimile transmission to the other Party, but shall forthwith send the original one. All signed documents shall constitute one agreement, which shall come into force after both Parties sign one or more documents and send them to the other Party hereof (unless otherwise provided in the original of such documents).

13.6 Amendment

This Agreement can be amended only upon execution of a written document by both Parties.

[Signature Page to Exclusive Technical Consultancy and Services Agreement]

Party A (Seal): Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

Legal representative or authorized agent (Signature): /s/ Tianquan Mo

Party B (Seal): Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.

Legal representative or authorized agent (Signature): /s/ Yu Huang

Schedule I: Content of Technical Consulting and Related Services

Party A shall provide Party B with consulting and related services, excluding the advertising marketing business and financial business, such as:

1. technical support and professional training necessary for business operation of Party B;
2. information and database support and provision of software products for Party B's business;
3. installation, commissioning, maintenance and technical support for Party B's computer system; and
4. office network addition and maintenance and website security service.

Schedule II: Mode of Calculation and Payment of the Consulting and Services Fees

1. Fees for consulting and related services to be charged by Party A from Party B shall be calculated as follows:
 - (1) According to the time for services provided to Party B by Party A's technical personnel during normal working hours. The fees for services by Party A's employees will be calculated as the sum of the products of each person's rate at their respective level and the number of hours worked; and
 - (2) Both Parties hereby agree to negotiate separately about the charging standards of the services not contained in (1) provided by Party A. The Consulting and Services Fee to be paid by Party B shall comprise the fees in the foregoing (1) and (2).
2. Party A shall notify Party B, prior to the fifth day of each month, with respect to the Consulting and Services Fees for the prior month, and Party B shall, within two (2) days after receiving such notice, pay the whole amount of the aforesaid Fee to an account designated by Party A.
3. If Party A believes that for some reason, the determination mechanism of the Consulting and Services Fees stipulated in this Schedule cannot be applied and needs to be adjusted, Party B shall actively and sincerely negotiate with Party A to determine new charging standard or mechanism within ten (10) working days after Party A requests for adjustment in writing. If Party B does not reply within ten (10) working days after receiving the above adjustment request, it shall be deemed to consent to the adjustment of the Consulting and Services Fees. At the request of Party B, Party A shall also negotiate with Party B to adjust the Consulting and Services Fees. For the avoidance of doubt, any adjustment to the Consulting and Services Fees must be approved by Party A.

EXCLUSIVE CALL OPTION AGREEMENT

This Exclusive Call Option Agreement (this “**Agreement**”) is made and entered into by the Parties below on June 11, 2018.

- (1) Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd., a company with limited liability duly incorporated and validly existing under the PRC laws with its registered address at Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing (“**Party A**”);
- (2) Tianquan Mo, Chinese, ID No.: [REDACTED], address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing (“**Party B(I)**”);
- (3) Yu Huang, Chinese, ID No.: [REDACTED], address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing (“**Party B(II)**”); and
- (4) Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd., a company with limited liability duly registered and validly existing under the PRC laws with its registered address at Room 1105, 11th Floor, Building No. 2, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing (“**Party C**”);

In this Agreement, Party B(I) and Party B(II) are hereinafter collectively referred to as “**Party B**” and Party A, Party B and Party C are each referred to as a “**Party**” and collectively, the “**Parties**.”

WHEREAS:

1. Party B(I) holds 80% equity interests in Party C;
2. Party B(II) holds 20% equity interests in Party C;

Party A and Party C entered into an exclusive technical consultancy and services agreement (the “**Exclusive Technical Consultancy and Services Agreement**”) on June 11, 2018.

Party B(I), Party B(II) and Party A entered into an equity pledge agreement (the “**Equity Pledge Agreement**”) on June 11, 2018.

NOW, THEREFORE, the Parties through negotiations hereby agree as follows:

1. Transfer of Equity Interest

1.1 Granting of Rights

Party B hereby irrevocably grants Party A or one or more persons designated by Party A (each, a “**Designated Person**”) an irrevocable and exclusive right to purchase (the “**Call Option**”) from Party B the whole or a part of the equity interest in Party C held by Party B (the “**Target Equity**”) exercisable by Party A at its own option and at the price set forth in Article 1.3 herein pursuant to any applicable PRC laws. Unless the prior written consent of Party A and its Designated Person has been obtained, Party B shall not sell, transfer or dispose of the Target Equity in any way to any other person. Party C hereby agrees to Party B’s granting to Party A the Call Option. The reference to “person” in this Section and this Agreement are to a natural person, legal person or non-legal person entity.

1.2 Exercise Procedure

Party A shall exercise its Call Option in accordance with the relevant PRC laws and regulations. When exercising its aforesaid Call Option, Party A shall send to Party B a written notice (a “**Notice of Equity Purchase**”) and such Notice shall contain the following matters: (a) the decision of Party A to exercise the Call Option; (b) the number of shares to be purchased by Party A; and (c) purchase date and transfer date of the equity interests.

1.3 Equity Price

Unless valuation is required by applicable laws, the price for the Target Equity (the “**Equity Price**”) shall be equal to the actual amount of capital injection subscribed by Party B for the Target Equity.

1.4 Transfer of Target Equity

Whenever Party A is to exercise its Call Option:

- (a) Party B shall instruct Party C to hold a shareholders meeting in time, and a resolution shall be passed during such meeting that approves Party B’s transfer of its equity interests in Party C to Party A and/or its Designated Person.
- (b) Party B shall sign an equity interest transfer agreement with Party A (or its Designated Person, as applicable) in accordance with this Agreement and the Notice of Equity Purchase.
- (c) The relevant Parties shall sign all other necessary contracts, agreements or documents, obtain all necessary governmental approval and consent, take all necessary actions to transfer, without attaching any Security Interests, the ownership of the Target Equity to Party A and/or the Designated Person; and cause Party A and/or the Designated Person to become the registered owner of the aforesaid Target Equity. For the purposes of this Section and this Agreement, “Security Interests” include liens, warrants, mortgages, pledges, rights and interests of a third party, any right to purchase, right to procure, right of priority, right to setoff, withholding of ownership, or other security arrangement; provided, however, that the “Security Interests” exclude any lien or security interests under this Agreement and the Equity Pledge Agreement.
- (d) Before Party A and/or the Designated Person exercise the Call Option, Party B may, with the prior written consent of Party A and/or the Designated Person, transfer to a third party other than Party A and/or the Designated Person the Target Equity, and such third party shall succeed to all obligations, undertakings, representations and warranties of Party B under this Agreement as if it had been a Party hereof.

1.5 Payment

The parties to this Agreement agree that, from the effective date of this Agreement, Party A has the exclusive right to purchase, unless disclosed to Party A and with the prior written permission of Party A, in accordance with the provisions agreed in this Agreement, the entire equity interests of Party B in Party C at the minimum price allowed by the PRC laws and regulations and such purchase may be made by Party A or its designated third party at any time. Such exclusive right to purchase shall be granted to Party A after this Agreement is executed by the parties and becomes effective, and such authorization shall be irrevocable or unchangeable within the term of this Agreement once granted.

2. Undertakings in Relation to Equity Interest

2.1 Party C’s Undertakings

Party C hereby undertakes:

- (a) Without the prior written consent of Party A, Party C shall not supplement, amend or otherwise modify any document in any way that relates to the constitution of Party C, increases or reduces its registered capital, or changes the structure of its registered capital in any other way;
- (b) Party C shall maintain its corporate existence, operate and deal with its business diligently and effectively in accordance with good financial and commercial standards and practices;
- (c) Without the prior written consent of Party A, Party C shall not, in any way at any time after the execution of this Agreement, sell, transfer, mortgage or dispose of any of its legal rights and interests in relation to its assets, business or income, or allow the existence of any other Security Interests thereon;
- (d) Without the prior written consent of Party A, no debts may be incurred by, or be succeeded to or warranted or allowed to exist in, Party C, except the following debts: (i) debts incurred in the normal or daily business operations, and (ii) debts disclosed to and incurred with prior consent in writing by Party A;

- (e) Party C shall continue to operate all of its business normally in order to maintain the value of its assets, and may not perform any act or fail to perform an act that may materially affect its operations and the value of its assets;
- (f) Without the prior written consent of Party A, Party C may not sign any material contract, the value of which is over RMB 100,000, except for any contract in its normal course of business;
- (g) Without the prior written consent of Party A, Party C may not provide any loan or security/warranty for any other party;
- (h) Upon Party A's request, Party C shall provide all materials in relation to its operations and financial condition to Party A;
- (i) Party C shall, with Party A's consent, purchase and maintain insurance, the amount and specific coverage of which shall be the same as those taken out by companies in similar businesses with similar properties or assets in the same area;
- (j) Without the prior written consent of Party A, Party C may not consolidate or merge with any party, acquire any party, or invest in any party;
- (k) It shall forthwith notify Party A of any litigation, arbitration or administrative proceedings that happened or is to happen in relation to the assets, business and income of Party C;
- (l) In order to maintain Party C's ownership of all of its assets, Party C shall sign and deliver all necessary or proper documents, take all necessary or proper actions, lodge all necessary or proper complaints or raise all necessary or proper defenses against all claims;
- (m) Without the prior written consent of Party A, Party C may not declare or pay dividends to its of Party C, provided however that, upon Party A's request, Party C shall forthwith distribute all of its distributable profits to its respective shareholders as permitted by laws and regulations (including but not limited to laws and regulations related to tax collection and management); and
- (n) Upon Party A's request, Party C shall appoint the person designated by Party A to take up any directorship at Party C.

2.2 Party B's Undertakings

Party B hereby undertakes:

- (a) Without the prior written consent of Party A, Party B shall not in any way at any time after the signing of this Agreement sell, transfer, mortgage or dispose of any of its legal rights and interests in relation to the equity interests in Party C held by Party B, or allow the existence of any other Security Interests therein, except for the pledge of the equity interests in Party C held by Party B under the Equity Pledge Agreement;
- (b) It shall cause the shareholders meetings of Party C not to approve, without the prior written consent of Party A, any action to sell, transfer, mortgage or dispose of any of its legal rights and interests in relation to any equity interests in Party C, or allow the existence of any other Security Interests therein, except for the pledge of such equity interests in Party C held by Party B under the Equity Pledge Agreement;
- (c) It shall cause the shareholders meetings of Party C not to approve, without the prior written consent of Party A, that Party C is to consolidate or merge with any party, acquire any party, or invest in any party;
- (d) It shall forthwith notify Party A of any litigation, arbitration or administrative proceedings that happened or is to happen in relation to the equity interests in Party C held by Party B;
- (e) It shall cause the shareholders meetings of Party C to vote for the transfer of the Target Equity under this Agreement;
- (f) In order to maintain the ownership of all of the equity interests held by Party B in Party C before transferring such equity interests to Party A, Party B shall sign and deliver all necessary or proper documents, take all necessary or proper actions, and raise all necessary or proper claims or all necessary or proper defenses against all claims;
- (g) Upon Party A's request, Party B shall appoint the person designated by Party A to take up any directorship at Party C;

- (h) Upon Party A's request, Party B shall unconditionally transfer its equity interests in Party C forthwith to Party A and/or the Designated Person and to disclaim and give up any preemptive or priority right to purchase Party C's equity interests;
- (i) Party B shall strictly comply with provisions in this Agreement and other contracts contemplated hereunder by the Parties jointly or separately, perform its obligations hereunder and thereunder, and not perform any act or fail to perform an act that may materially affect the validity and enforceability of this Agreement; and
- (j) Upon Party A's request, Party B shall forthwith pay all the distribution profits it has obtained from Party C to Party A.

3. Representations and Warranties

Party B and Party C hereby, on the signing date of this Agreement and each date of transfer of the Target Equity, jointly and severally represent and warrant to Party A as follows:

- (a) Each Party is legally competent and has the right to sign and deliver this Agreement, to sign pursuant to this Agreement any equity transfer agreement (collectively referred to as "**Transfer Agreement**") to transfer the Target Equity, and to perform its obligations hereunder and under any Transfer Agreement. This Agreement and any Transfer Agreement, upon execution, shall be legal, valid and binding upon each Party and may be enforced against each Party in accordance with their terms and conditions;
- (b) The execution and delivery of this Agreement or any Transfer Agreement or the performance by each Party of its obligations hereunder or under any Transfer Agreement shall not (i) lead to a violation of any relevant PRC laws, (ii) be in conflict with or contradiction to the articles of association or any other constitutional documents of Party B and Party C, (iii) lead to a violation or breach of any contract or document of which Party B or Party C is a party or by which it is bound, (iv) lead to a violation of any conditions affecting the grant or validity of any license or approval of Party B or Party C, or (v) lead to the suspension or cancellation of any license or approval, or imposition of additional conditions for such license or approval;
- (c) Party B owns all of the equity interests in Party C, and unless permitted in the Equity Pledge Agreement, Party B has no Security Interests in the aforesaid assets;
- (d) Party C does not have any other unpaid debts, except for (i) debts incurred in its normal business operations and (ii) debts disclosed to and incurred with Party A's prior consent in writing; and
- (e) No litigation, arbitration or administrative proceedings in relation to the equity interests in Party C or Party C's assets are currently on-going, pending, or likely to occur.

4. Effective Date and Term

This Agreement shall come into force upon execution on the date first written above and shall remain valid for ten (10) years. It may be extended for an additional ten (10) years at Party A's option. Thereafter, Party A is entitled to unilaterally extend the term of this Agreement in accordance with the aforementioned methods. Party B shall unconditionally consent to Party A's decision to extend the term of this Agreement.

5. Governing Law and Dispute Resolution

5.1 Governing Law

The PRC law shall govern the execution, validity, interpretation, amendment, termination and resolution of disputes arising out of this Agreement. The PRC law referred to herein does not include the laws of Taiwan, the Hong Kong Special Administration Region or the Macau Special Administration Region.

5.2 Dispute Resolution

Any dispute arising out of this Agreement or other related disputes shall be settled first through friendly negotiations. If such dispute cannot be so settled within thirty (30) days after one Party sends a written notice to another Party, it may be submitted by either Party to the China International Economic and Trade Arbitration Commission and be arbitrated in Beijing, China in accordance with its arbitration rules. The arbitration award shall be accepted as final and binding upon all Parties.

6. Taxation and Expenses

Each Party shall bear any and all taxation, cost and expenses that occur to such Party under the PRC laws for the transfer and registration for the Target Equity and for the preparation and execution of this Agreement and any Transfer Agreement and the performance and completion of the transactions contemplated under this Agreement and any Transfer Agreement.

7. Notice

Any notice or other communication sent by any Party shall be written in Chinese, and sent by mail or facsimile transmission to the addresses of the other Parties set forth below or to other designated addresses previously notified by any such other Party. If any Party changes its address, it shall notify the other Parties of such change in a timely and effective manner. The dates on which such notices are deemed to have been effectively given shall be determined as follows: (A) Notices given by personal delivery shall be deemed effectively given on the date of personal delivery; (B) Notices sent by registered airmail (postage prepaid) shall be deemed effectively given on the seventh (7th) day after the date on which they were mailed (as indicated by the postmark), or notices sent by a courier recognized by the Parties shall be deemed effectively given on the third (3rd) day after they were sent to such courier service agency; and (C) Notices sent by facsimile transmission shall be deemed effectively given on the first (1st) business day following the date of transmission, as indicated on the document.

Party A: Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.
Address: Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]
Attention: Tianquan Mo

Party B(I): Tianquan Mo
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]

Party B(II): Yu Huang
Address: Tower A, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]

Party C: Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.
Address: Room 1105, 11th Floor, Building No. 2, No. 20 Guogongzhuang Middle Street, Fengtai District, Beijing
Fax: [REDACTED]
Tel: [REDACTED]
Attention: Tianquan Mo

8. Confidentiality

The Parties hereby acknowledge and confirm that any oral or written materials exchanged between the Parties in relation to this Agreement are confidential materials. Each Party hereby agrees that it shall keep confidential any other Party's confidential materials. Without the prior written consent of such other Party, such Party shall not disclose to any third party such confidential materials, unless in the following cases: (a) such materials are known or to become known by public (not disclosed to public by such Party through its own fault); (b) applicable laws require disclosure of such materials; or (c) such materials are disclosed, in relation to the transactions contemplated in this Agreement, to such Party's legal, financial and other consultants who are subject to similar confidentiality provisions. Any disclosure of such confidential materials by any working staff or institution of any Party shall be deemed as disclosure of confidential materials by such Party, and such Party shall bear responsibilities. This section shall remain valid whether or not this Agreement has terminated due to any reason.

9. Further Warranties

The Parties hereby agree to sign, as soon as possible, all reasonable and necessary documents or documents conducive to the Parties for the purposes of performing this Agreement, and further take all reasonable and necessary actions or actions conducive to the Parties for the purposes of performing this Agreement.

10. Miscellaneous

10.1 Modification, Amendment and Supplement

Any modification, amendment and supplement to this Agreement shall be made upon written consent by the Parties.

10.2 Observance of Laws and Regulations

The Parties shall observe all PRC laws and regulations and confirm that each Party's operations fully comply with such laws and regulations.

10.3 Complete Agreement

Except for the written modification, amendment and supplement to this Agreement after its signing, this Agreement shall constitute the complete Agreement made by the Parties in relation to the aforesaid matters.

10.4 Title

The titles in this Agreement are for convenience only and shall not be used for interpretation, description or other purposes that may affect the meanings of provisions herein.

10.5 Language

This Agreement is made in Chinese in five (5) originals.

10.6 Severability

If any of the terms or conditions hereunder or any portion thereof shall be invalid, illegal, or unenforceable under any applicable PRC laws, the validity, legality and enforceability of the remaining provisions hereunder shall not be in any way affected or impaired. The Parties shall negotiate in good faith to reach an agreement on a provision to replace the invalid. The economic effect resulting from such valid provisions shall be equal to that from the invalid, illegal or unenforceable provisions.

10.7 Successor

This Agreement is binding upon each Party's successors and transferees of equity interest, as if they were the contracting Parties hereof.

10.8 Continuous Validity

Any obligations due or becoming due before the expiry of this Agreement shall continue to be valid after the expiry.

10.9 Non-waiver

The failure of any Party to exercise its rights to investigate the breach of any other Party in any specific case shall not be deemed a waiver of such rights in any other cases alike or not.

Party A (Seal): Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

Legal representative or authorized agent (Signature): /s/ Tianquan Mo

Party B (I): Tianquan Mo

Signature: /s/ Tianquan Mo

Party B (II): Yu Huang

Signature: /s/ Yu Huang

Party C (Seal): Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.

Legal representative or authorized agent (Signature): /s/ Yu Huang

Supplementary Agreement to the Exclusive Call Option Agreement

This Agreement is made and entered into by the Parties below on October 1, 2018 in Beijing:

Party A: Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd. (“Party A” to the Exclusive Call Option Agreement)

Registered address: Room 208A, 2nd Floor, Building No. 14, South District of No. 46 Zhongguancun South Street, Haidian District, Beijing

Party B(I): Mo Tianquan (“Party B(I)” to the Exclusive Call Option Agreement)

Address: [REDACTED]

PRC ID No.: [REDACTED]

Party B(II): Huang Yu (“Party B(II)” to the Exclusive Call Option Agreement)

Address: [REDACTED]

PRC ID No.: [REDACTED]

Party C: Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd. (“Party C” to the Exclusive Call Option Agreement)

Registered address: Room 1105, 11th Floor, Building No. 2, 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Party D: China Index Holdings Limited

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

(Party B(I) and Party B(II) are hereinafter referred to as “Party B.” Party A, Party B, Party C and Party D are each referred to as a “Party” and collectively, the “Parties.”)

WHEREAS:

Party A, Party B(I), Party B(II) and Party C to this Agreement entered into the the Exclusive Call Option Agreement (hereinafter referred to as the “Exclusive Call Option Agreement”) in Beijing on June 11, 2018, in which it is agreed that Party B irrevocably grants Party A exclusive call option to acquire Party C’s equity interest. NOW, THEREFORE, in order to further identify the rights and obligations of any Party, the Parties hereof, through friendly negotiations, intending to be legally bound, agree on the following supplementary matters in relation to the unsettled matters under the Exclusive Call Option Agreement.

1. The Parties understand and acknowledge that, Party A is a wholly-owned subsidiary of Party D and has been designated by Party D to enter into the Exclusive Call Option Agreement. The Parties agree that, to the extent permitted by the PRC laws, after the execution of this Agreement, Party D shall enjoy the same rights as enjoyed by Party A under the Exclusive Call Option Agreement. Party D has the right, at any time, to replace Party A or to designate another person or persons (“designated person (s)”) to be the successor of Party A and bear all the obligations, rights and duties of Party A under the Exclusive Call Option Agreement, in steps at Party D’s discretion. In this regard, each Party shall provide assistance, including but not limited to cooperating with Party D to enter into relevant legal documents. The “person” specified in this paragraph and this Agreement refers to a natural person, legal person or unincorporated entity.

2. Party D’s contact information is as follows:

Address: Tower A, 20 Guogongzhuang Middle Street, Fengtai District, Beijing

Fax: [REDACTED]

Phone: [REDACTED]

Attention: Mo Tianquan

3. In the event of any conflict between this Agreement and the Exclusive Call Option Agreement, this Agreement shall prevail; if there is any unsettled matter in this Agreement, the Exclusive Call Option Agreement shall prevail.

4. This Agreement is made in five (5) copies and each Party holds one (1) copy with the same legal effect.

(The remainder of this page is intentionally left blank)

(Signature page of Supplementary Agreement to the Exclusive Call Option Agreement)

Party A (seal): Beijing Zhong Zhi Shi Zheng Data Information Technology Co., Ltd.

Authorized representative (signature): /s/ _____

Party B(I): Tianquan Mo

Signature: /s/ Tianquan Mo _____

Party B(II): Yu Huang

Signature: /s/ Yu Huang _____

Party C (seal): Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd.

Authorized representative (signature): /s/ _____

Party D (seal): China Index Holdings Limited

Authorized representative (signature): /s/ _____

List of Principal Subsidiaries and Consolidated Controlled Entities**Subsidiaries:**

Beijing Cun Fang Real Estate Broking Co., Ltd. — Incorporated in China

Beijing Fang Chao Real Estate Broking Co., Ltd. — Incorporated in China

Beijing Fang Tian Xia Hong An Network Technology Co., Ltd. — Incorporated in China

Beijing Hong An Tu Sheng Network Technology Co., Ltd. — Incorporated in China

Beijing Li Man Wan Jia Network Technology Co., Ltd. — Incorporated in China

Beijing SouFun Network Technology Co., Ltd. — Incorporated in China

Beihai Tian Xia Dai Microfinance Co., Ltd. — Incorporated in China

Beijing Tuo Shi Huan Yu Network Technology Co., Ltd. — Incorporated in China

Beijing Zhong Zhi Shi Zheng Information Technology Co., Ltd. — Incorporated in China

Beijing Zhong Zhi Xun Bo Information Technology Co., Ltd. — Incorporated in China

Xinjiang Zhong Zhi Shu Ju Information Technology Co., Ltd. — Incorporated in China

Best Work Holdings (New York) LLC — Incorporated in United States

Chongqing Fang Tian Xia Real Estate Broking Co., Ltd. — Incorporated in China

Chongqing Tian Xia Dai Microfinance Co., Ltd — Incorporated in China

Guangzhou Fang Tian Xia Real Estate Broking Co., Ltd. — Incorporated in China

Hangzhou Ji Ju Real Estate Agents Co., Ltd. — Incorporated in China

Hangzhou SouFun Network Technology Co., Ltd. — Incorporated in China

Hong Kong Property Network Limited — Incorporated in Hong Kong

Nanchang Cun Fang Real Estate Broking Co., Ltd. — Incorporated in China

Nanjing Cun Fang Real Estate Broking Co., Ltd. — Incorporated in China

Shanghai BaoAn Enterprise Co., Ltd. — Incorporated in China

Shanghai BaoAn Hotel Co., Ltd. — Incorporated in China

Shanghai SouFun Microfinance Co., Ltd. — Incorporated in China

Shanghai SouFun Fang Tian Xia Broking Co., Ltd. — Incorporated in China

SouFun Media Technology (Beijing) Co., Ltd. — Incorporated in China

Tianjin Jia Tian Xia Microfinance Co., Ltd. — Incorporated in China

Tianjin Jia Tian Xia Network Technology Co., Ltd. — Incorporated in China

Tianjin Fang Tian Xia Real Estate Broking Co., Ltd. — Incorporated in China

Tianjin SouFun Network Technology Co., Ltd. — Incorporated in China

Consolidated Controlled Entities:

Beijing Century Jia Tian Xia Technology Development Co., Ltd. — Incorporated in China

Beijing Hua Ju Tian Xia Network Technology Co., Ltd. — Incorporated in China

Beijing Li Tian Rong Ze Yi Jia Technology Development Co., Ltd. — Incorporated in China

Beijing SouFun Internet Information Service Co., Ltd. — Incorporated in China

Beijing SouFun Science and Technology Development Co., Ltd. — Incorporated in China

Beijing Yi Ran Ju Ke Technology Development Co., Ltd. — Incorporated in China

Beijing Zhong Zhi Hong Yuan Data Information Technology Co., Ltd. — Incorporated in China

Fang Tian Xia Financial Information Service (Beijing) Co., Ltd. — Incorporated in China

Shanghai Jia Biao Tang Real Estate Broking Co., Ltd. — Incorporated in China

Wuhan SouFun Yi Ran Ju Ke Real Estate Agents Co., Ltd. — Incorporated in China

CERTIFICATION

I, Jian Liu, certify that:

1. I have reviewed this annual report on Form 20-F of Fang Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

May 14, 2019

/s/ Jian Liu

Name: Jian Liu

Title: Chief Executive Officer

CERTIFICATION

I, Zijin Li, certify that:

1. I have reviewed this annual report on Form 20-F of Fang Holdings Limited;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rule 13a-15(f) and 15d-15(f)) for the company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

May 14, 2019

/s/ Zijin Li

Name: Zijin Li

Title: Acting Chief Financial Officer

CERTIFICATION REQUIRED BY
RULE 13a-14(b) OR RULE 15d-14(b)
AND 18 U.S.C. SECTION 1350

In connection with the Annual Report of Fang Holdings Limited (the "Company") on Form 20-F for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jian Liu, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 14, 2019

/s/ Jian Liu

Name: Jian Liu

Title: Chief Executive Officer

CERTIFICATION REQUIRED BY
RULE 13a-14(b) OR RULE 15d-14(b)
AND 18 U.S.C. SECTION 1350

In connection with the Annual Report of Fang Holdings Limited (the "Company") on Form 20-F for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Zijin Li, Acting Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 14, 2019

/s/ Zijin Li

Name: Zijin Li

Title: Acting Chief Financial Officer

競天公誠律師事務所
JINGTIAN & GONGCHENG

34/F, Tower 3, China Central Place, 77 Jianguo Road, Beijing 100025, China
Telephone: (86-10) 5809-1000 Facsimile: (86-10) 5809-1100

May 14, 2019

Fang Holdings Limited
Tower A, No.20 Guogongzhuang Middle Street
Fengtai District, Beijing 100070
The People's Republic of China

Dear Sirs:

We consent to the reference to our firm under the headings "Risk Factors" and "Regulation" in the Annual Report of Fang Holdings Limited (the "Company") on Form 20-F for the year ended December 31, 2018, which will be filed with the Securities and Exchange Commission (the "SEC") and to the incorporation by reference in the Company's Registration Statements on Form S-8 (File No.333-173157 and 333-207182) filed with the SEC on March 30, 2011 and September 29, 2015, respectively, of such references to our firm under such headings.

We also consent to the filing with the SEC of this consent letter as an exhibit to the Company's Annual report on Form 20-F for the year ended December 31, 2018.

Yours faithfully
/s/ Jingtian & Gongcheng

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Fang Holdings Limited:

We consent to the incorporation by reference in the registration statements No. 333-173157 and No. 333-207182 on Form S-8 of Fang Holdings Limited of our reports dated May 14, 2019, with respect to the consolidated balance sheet of Fang Holdings Limited as of December 31, 2018, and the related consolidated statements of comprehensive income (loss), shareholders' equity, and cash flows for the year then ended, and the related notes and the effectiveness of internal control over financial reporting as of December 31, 2018, which reports appear in the December 31, 2018 annual report on Form 20-F of Fang Holdings Limited.

Our report dated on May 14, 2019, on the consolidated financial statements, refers to changes in the method of accounting for revenue recognition and investments in equity securities.

Our report dated on May 14, 2019, on the effectiveness of internal control over financial reporting as of December 31, 2018, expresses our opinion that Fang Holdings Limited did not maintain effective internal control over financial reporting as of December 31, 2018 because of the effect of a material weakness on the achievement of the objectives of the control criteria and contains an explanatory paragraph that states a material weakness related to the lack of sufficient financial reporting and accounting personnel to formalize, design, implement and operate key controls over financial reporting process in order to report financial information in accordance with U.S. GAAP and SEC reporting requirements has been identified and included in management's assessment.

/s/ KPMG Huazhen LLP

Beijing, China
May 14, 2019

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-173157) pertaining to the Stock Related Award Incentive Plan of 1999 and the 2010 Stock Incentive Plan of Fang Holdings Limited, and
- (2) Registration Statement (Form S-8 No. 333-207182) pertaining to the 2015 Stock Incentive Plan of Fang Holdings Limited

of our report dated May 15, 2018, except for Note 2, as to which the date is May 14, 2019, with respect to the consolidated financial statements of Fang Holdings Limited, included in its Annual Report (Form 20-F) of Fang Holdings Limited for the year ended December 31, 2018.

/s/ Ernst & Young Hua Ming LLP

Shenzhen, the People's Republic of China
May 14, 2019

May 14, 2019

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Ladies and Gentlemen:

We have read Item 16F of Form 20-F dated May 14, 2019, of **Fang Holdings Limited** and are in agreement with the statements contained in the second and third paragraphs on page 147 therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

Regarding the registrant's statement concerning the lack of internal control to prepare financial statements, included in the second paragraph of Item 16F on page 147 therein, we had considered such matter in determining the nature, timing and extent of procedures performed in our audit of the registrant's 2017 consolidated financial statements.

/s/ Ernst & Young Hua Ming LLP

Shenzhen, The People's Republic of China
