As filed with the Securities and Exchange Commission on October 6, 2017

Registration No. 333-220587

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 1
to
FORM F-1
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

RISE Education Cayman Ltd

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Cayman Islands	**8200**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification Number)**

Room 101, Jia He Guo Xin Mansion
No.15 Baiqiao Street, Guangqumennei, Dongcheng District
Beijing 100062
People's Republic of China
+86 10-8559-9000
(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Cogency Global Inc.
10 East 40th Street, 10th Floor
New York, N.Y. 10016
(800) 221-0102
(Name, address, including zip code, and telephone number, including area code, of agent for service)

copies to:

David T. Zhang, Esq. **Benjamin W. James, Esq.** **Kirkland & Ellis International LLP** **c/o 26th Floor, Gloucester Tower, The Landmark** **15 Queen's Road Central, Hong Kong** **+852 3761-3300**	**James C. Lin, Esq.** **Davis Polk & Wardwell LLP** **c/o 18th Floor, The Hong Kong Club Building** **3A Chater Road, Central** **Hong Kong** **+852 2533-3300**

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

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

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

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

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

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

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 7(a)(2)(B) of the Securities 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.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(2)(3)	Proposed maximum offering price per share(3)	Proposed maximum aggregate offering price(3)	Amount of registration fee(4)
Ordinary shares, par value US$0.01 per share(1)	25,300,000	US$7.00	US$177,100,000	US$21,188.95

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

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

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

Subject to Completion, Dated October 6, 2017

11,000,000 American Depositary Shares

RISE Education Cayman Ltd

Representing 22,000,000 Ordinary Shares

This is an initial public offering of American depositary shares, or ADSs, by RISE Education Cayman Ltd. We are offering 5,000,000 ADSs, and the selling shareholders named in this prospectus, are offering an aggregate of 6,000,000 ADSs, to be sold in the offering. We will not receive any proceeds from the sale of ADSs by the selling shareholders. Each ADS represents two ordinary shares, par value US$0.01 per share.

Prior to this offering, there has been no public market for the ADSs or our ordinary shares. We anticipate the initial public offering price will be between US$12.00 and US$14.00 per ADS. We have applied for the listing of our ADSs on the NASDAQ Global Select Market under the symbol "REDU."

We are an "emerging growth company" as defined under applicable U.S. securities laws and, as such, we are eligible for reduced public company reporting requirements.

Investing in the ADSs involves a high degree of risk. See "Risk Factors" beginning on page 12.

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

	Per ADS	***Total***
Initial public offering price	*US$*	*US$*
Underwriting discounts and commissions (1)	*US$*	*US$*
Proceeds, before expenses, to us	*US$*	*US$*
Proceeds, before expenses, to the selling shareholders	*US$*	*US$*

(1) For a description of compensation payable to the underwriters, see "Underwriting."

The underwriters have an option to purchase up to an additional 1,650,000 ADSs from one of the selling shareholders at the initial public offering price, less the underwriting discounts and commissions, within 30 days from the date of this prospectus.

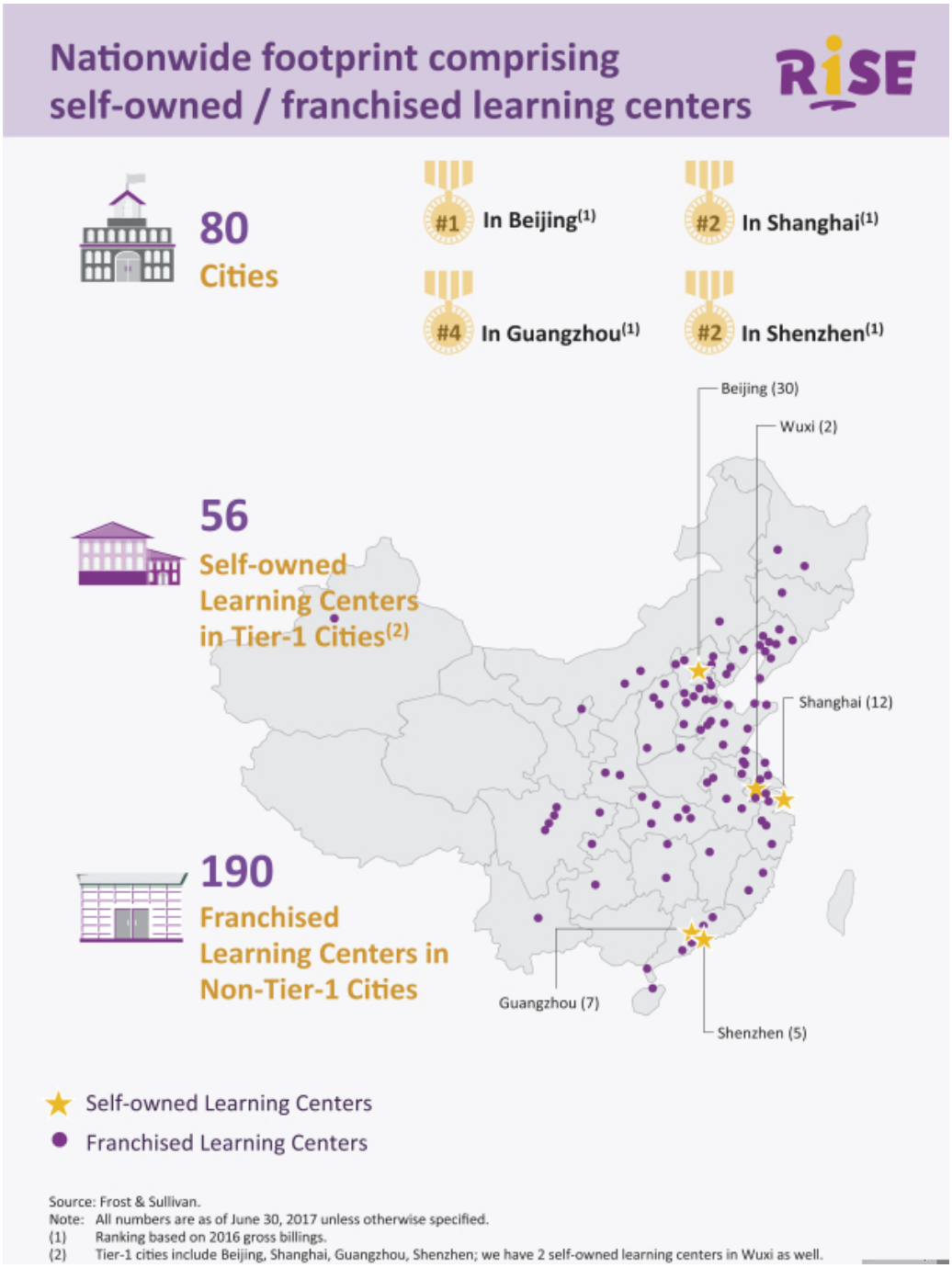
The underwriters expects to deliver the ADSs against payment in U.S. Dollars in New York, New York, to purchasers on or about , 2017.

MORGAN STANLEY *CREDIT SUISSE*

UBS INVESTMENT BANK

HSBC

Prospectus dated , 2017


Nationwide footprint comprising self-owned / franchised learning centers
RISE
80
Cities
#1 In Beijing(1)
#2 In Shanghai(1)
#4 In Guangzhou(1)
#2 In Shenzhen(1)
56
Self-owned Learning Centers in Tier-1 Cities(2)
190
Franchised Learning Centers in Non-Tier-1 Cities
Beijing (30)
Wuxi (2)
Shanghai (12)
Guangzhou (7)
Shenzhen (5)
Self-owned Learning Centers
Franchised Learning Centers
Source: Frost & Sullivan.
Note: All numbers are as of June 30, 2017 unless otherwise specified.
(1) Ranking based on 2016 gross billings.
(2) Tier-1 cities include Beijing, Shanghai, Guangzhou, Shenzhen; we have 2 self-owned learning centers in Wuxi as well.

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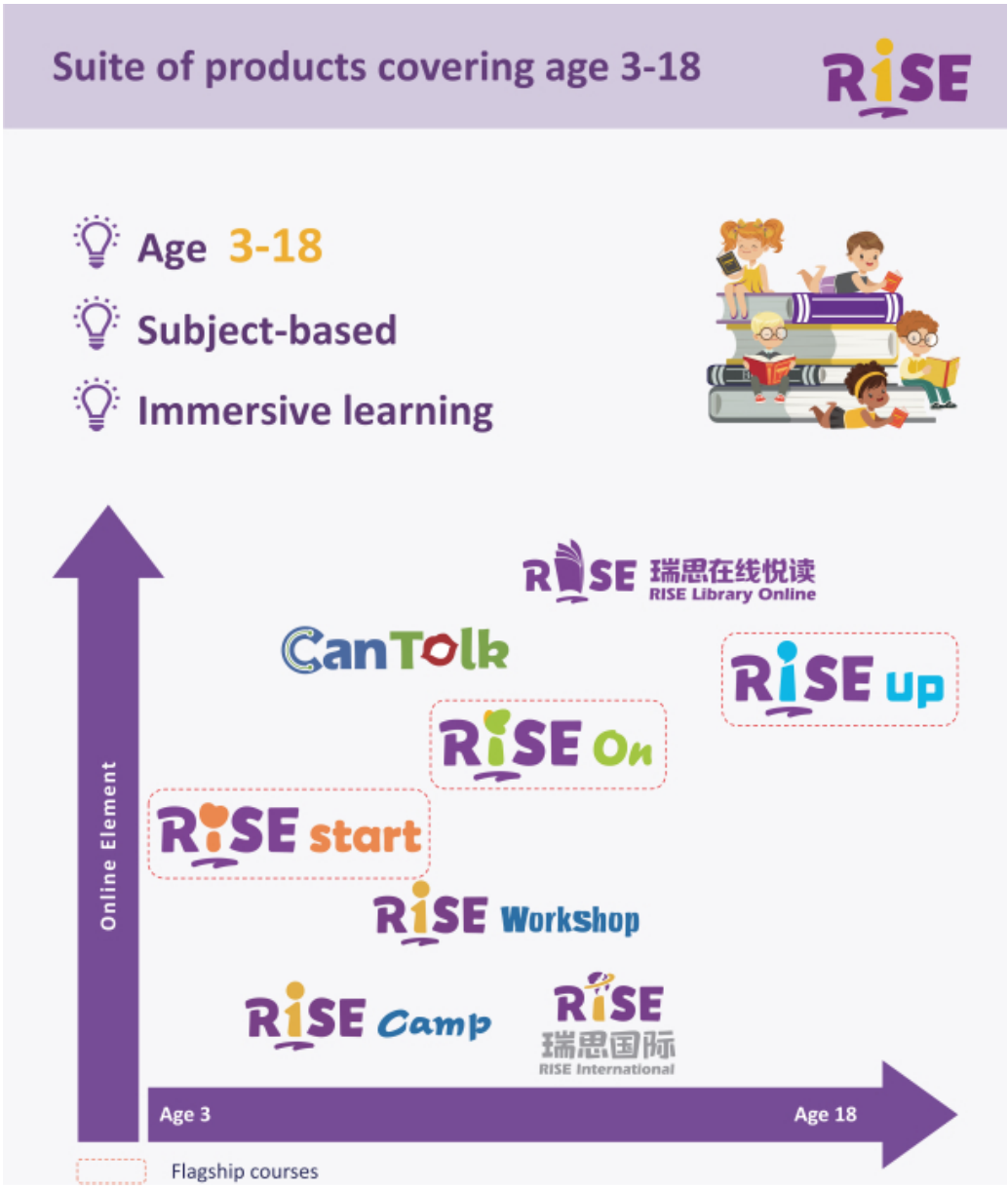

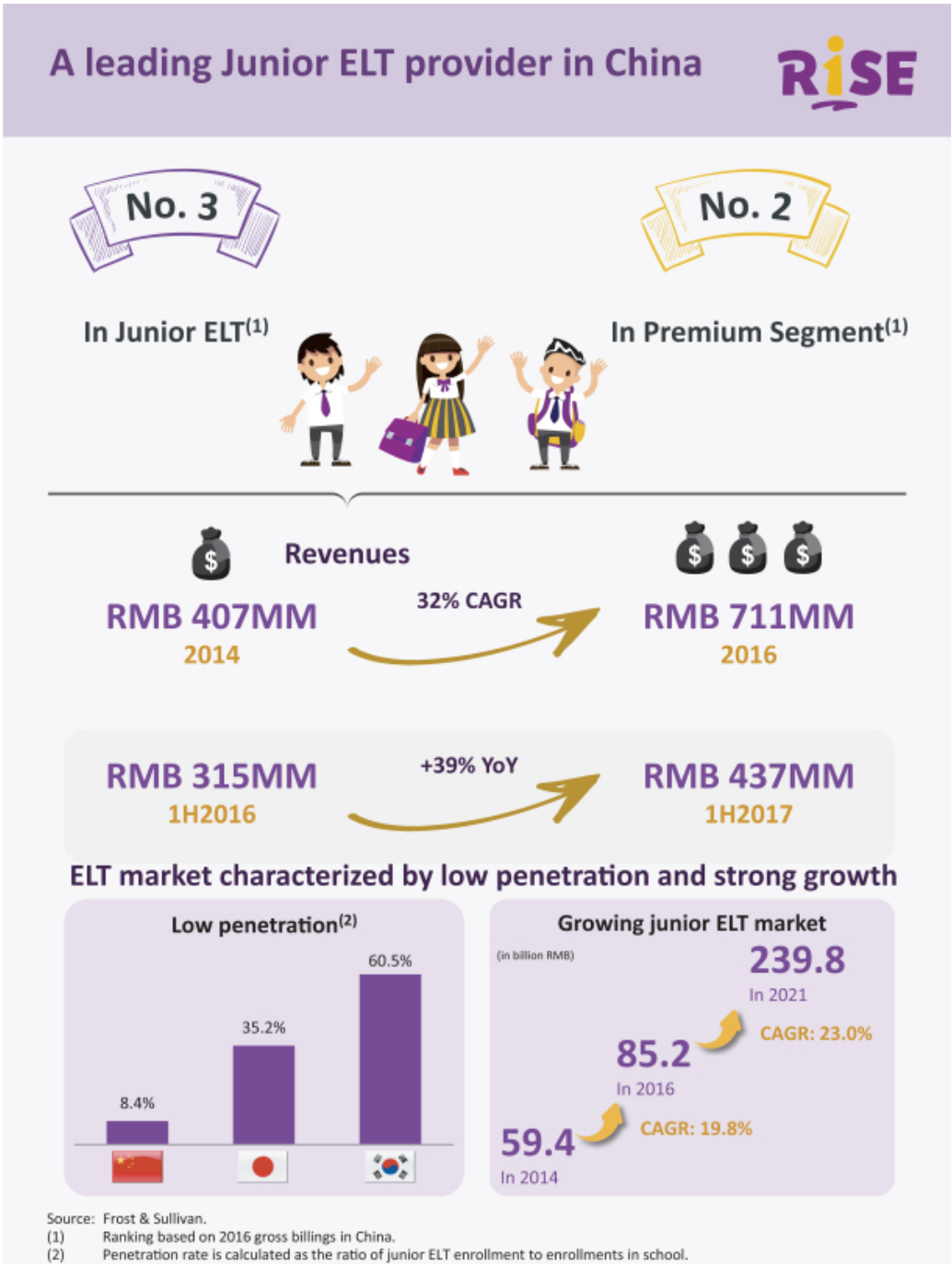

Source: Frost & Sullivan.
(1) Ranking based on 2016 gross billings in China.
(2) Penetration rate is calculated as the ratio of junior ELT enrollment to enrollments in school.

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You should rely only on the information contained in this prospectus or in any related free-writing prospectus. We and the selling shareholders have not authorized anyone to provide you with information different from that contained in this prospectus or in any related free-writing prospectus. We and the selling shareholders are offering to sell, and seeking offers to buy, the ADSs offered hereby, but only under circumstances and in jurisdictions where offers and sales are permitted and lawful to do so. The information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the ADSs.

Neither we, the selling shareholders nor any of the underwriters have taken any action that would permit a public offering of the ADSs outside the United States or permit the possession or distribution of this prospectus or any related free-writing prospectus outside the United States. Persons outside the United States who come into possession of this prospectus or any related free-writing prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of the prospectus outside the United States.

Until , 2017 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information, financial statements and related notes appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in the ADSs discussed under "Risk Factors," before deciding whether to buy the ADSs. This prospectus contains certain estimates and information from an industry report commissioned by us and prepared by Frost & Sullivan, an independent market research firm, regarding our industries and our market positions in China. This prospectus also contains information and statistics relating to China's economy and the industries in which we operate which are derived from various publications issued by market research companies and the PRC governmental entities, and have not been independently verified by us, the underwriters or any of their respective affiliates or advisers. The information in such sources may not be consistent with other information compiled in or outside of China.

Our Business

We operate in China's junior English Language Training, or ELT, market, which refers to after-school English teaching and tutoring services provided by training institutions to students aged three to 18. We are a leader in China's junior ELT market according to Frost & Sullivan, and we ranked second in 2016 with a market share of 10.7% in terms of gross billings in the premium segment. Furthermore, in 2016, we ranked first in the junior ELT market in Beijing with a market share of 11.4% and ranked second in the junior ELT market in tier-one cities with a market share of 5.9%, both in terms of gross billings according to Frost & Sullivan.

We pioneered the "subject-based learning" teaching philosophy in China, whereby various subject matters, such as language arts, math, natural science and social science are used to teach English. Our course offerings use interactive courseware to create an immersive English learning environment that helps students learn to speak and think like a native speaker. In addition, our curricula are designed to foster leadership and critical thinking skills in students while developing their self-confidence and sense of independence. This innovative and holistic approach to teaching English is increasingly attractive to Chinese parents who are looking for alternatives to traditional ELT programs in China, which are more test-oriented.

In 2016 and for the six months ended June 30, 2017, we had 36,173 and 26,600 student enrollments, respectively, in self-owned learning centers. We currently offer three flagship courses, namely Rise Start, Rise On and Rise Up, that are designed for students aged three to six, seven to twelve and 13 to 18, respectively. The curricula of Rise Start and Rise On use courseware that we have licensed from Houghton Mifflin Harcourt Publishing Company, or HMH, a leading American educational publisher, along with other self-developed content, while the curriculum of Rise Up is primarily based on our self-developed content. We also offer a number of complementary products to further enhance our students' learning experience, including Can-Talk, Rise Library Online, Rise Camp, Rise Workshop and Rise Overseas Study Tour.

We devote significant resources to curriculum development to ensure that our course offerings are up-to-date, engaging and effective. We also focus on teacher training through a set of rigorous and systematic processes and programs so that teachers in both self-owned learning centers and franchised learning centers are able to deliver our curricula at a level consistent with our standards. As of June 30, 2017, we had 1,315 teachers in self-owned learning centers. Collectively, the quality of our course offerings and our unique teaching philosophy has helped us develop a strong and powerful brand that is attractive to parents.

Our business model is highly scalable. We have a network of both self-owned learning centers as well as franchised learning centers. As of June 30, 2017, we had a network of 246 learning centers across 80 cities in China, among which 56 were self-owned centers primarily located in tier-one cities and 190 centers were

franchised learning centers primarily located in non-tier-one cities. RISE Education Cayman Ltd is a holding company without substantive operations and we conduct our operations through PRC entities, including our variable interest entity, or VIE, and its subsidiaries and schools. We have enjoyed significant growth over the past few years. Our revenues increased from RMB529.5 million in 2015 to RMB711.0 million (US$104.9 million) in 2016, and increased from RMB315.0 million for the six months ended June 30, 2016 to RMB437.1 million (US$64.5 million) for the six months ended June 30, 2017, largely as a result of the growth of self-owned learning centers. As our network of learning centers has expanded, our brand has also strengthened. This has allowed us to maintain our position as a market leader, command premium pricing, improve profitability and enjoy a highly loyal customer base. In 2016, we had a 67% student retention rate, 63% higher than the industry average of 41%, according to Frost & Sullivan and our student retention rate improved further to 70% in the six months ended June 30, 2017. We recorded EBITDA of RMB40.8 million and RMB142.3 million (US$21.0 million) in 2015 and 2016, respectively, and RMB58.6 million and RMB109.6 million (US$16.2 million) for the six months ended June 30, 2016 and 2017, respectively. We recorded a net loss of RMB31.7 million in 2015 while we recorded net income of RMB50.8 million (US$7.5 million) in 2016, and we recorded a net income of RMB18.3 million and RMB57.8 million (US$8.5 million) for the six months ended June 30, 2016 and 2017, respectively.

Our Industry

China's junior ELT market is rapidly growing, driven by favorable government policies, supportive economic conditions, and increasing cultural and societal emphasis on English education. According to Frost & Sullivan, China's junior ELT market, is expected to grow to RMB239.8 billion in 2021 from RMB85.2 billion in 2016, representing a CAGR of 23.0%.

- *China's Age 3-6 ELT Market.* Provides English language training mainly for students in preschool. It is expected to be the fastest growing segment in the junior ELT market in China, expanding from RMB18.6 billion in 2016 to RMB62.8 billion in 2021, representing a CAGR of 27.6%.
- *China's Age 7-12 ELT Market.* Provides English language training mainly for students in elementary school. It is the largest segment in terms of gross billings in the junior ELT market in China. The 7-12 ELT market is expected to grow from RMB45.0 billion in 2016 to RMB125.3 billion in 2021, representing a CAGR of 22.7%.
- *China's Age 13-18 ELT Market.* Provides English language training mainly for students in middle school and above. This segment is expected to grow from RMB21.6 billion in 2016 to RMB51.7 billion in 2021, representing a CAGR of 19.1%.
- *China's Premium Junior ELT Market*. According to Frost & Sullivan, within China's junior ELT market, the premium segment, which includes providers offering products with annual fees above RMB16,000 per year, is expected to outpace the overall junior ELT market in terms of growth. The premium junior ELT market is expected to grow in terms of gross billings from RMB8.1 billion in 2016, to RMB22.8 billion in 2021, representing a CAGR of 23.0%.

Despite its rapid development, the junior ELT market in China remains highly fragmented and there is significant opportunity to gain market share. According to Frost & Sullivan, the top ten junior ELT providers in China only accounted for 6.7% of the market by gross billings in 2016. Moreover, based on a survey by Frost & Sullivan, parents prefer junior ELT providers with strong branding, course content, and course offerings focused on the English conversational ability of students.

Our Strengths

We believe that the following strengths contribute to our success and set us apart from our peers:

- leadership in an attractive and rapidly growing market;

- innovative and unique teaching methodologies;
- comprehensive and innovative products;
- extensive and systematic product development and teacher training programs;
- premium and trusted brand;
- highly scalable business model; and
- experienced management team with proven track record.

Our Strategies

We intend to pursue the following strategies to further grow our business:

- expand our learning center network;
- increase student enrollment in self-owned learning centers;
- enhance and expand our products;
- improve operating efficiency; and
- pursue additional strategic partnerships and alliances.

Our Challenges

We believe some of the major risks and uncertainties that may materially and adversely affect us include the following:

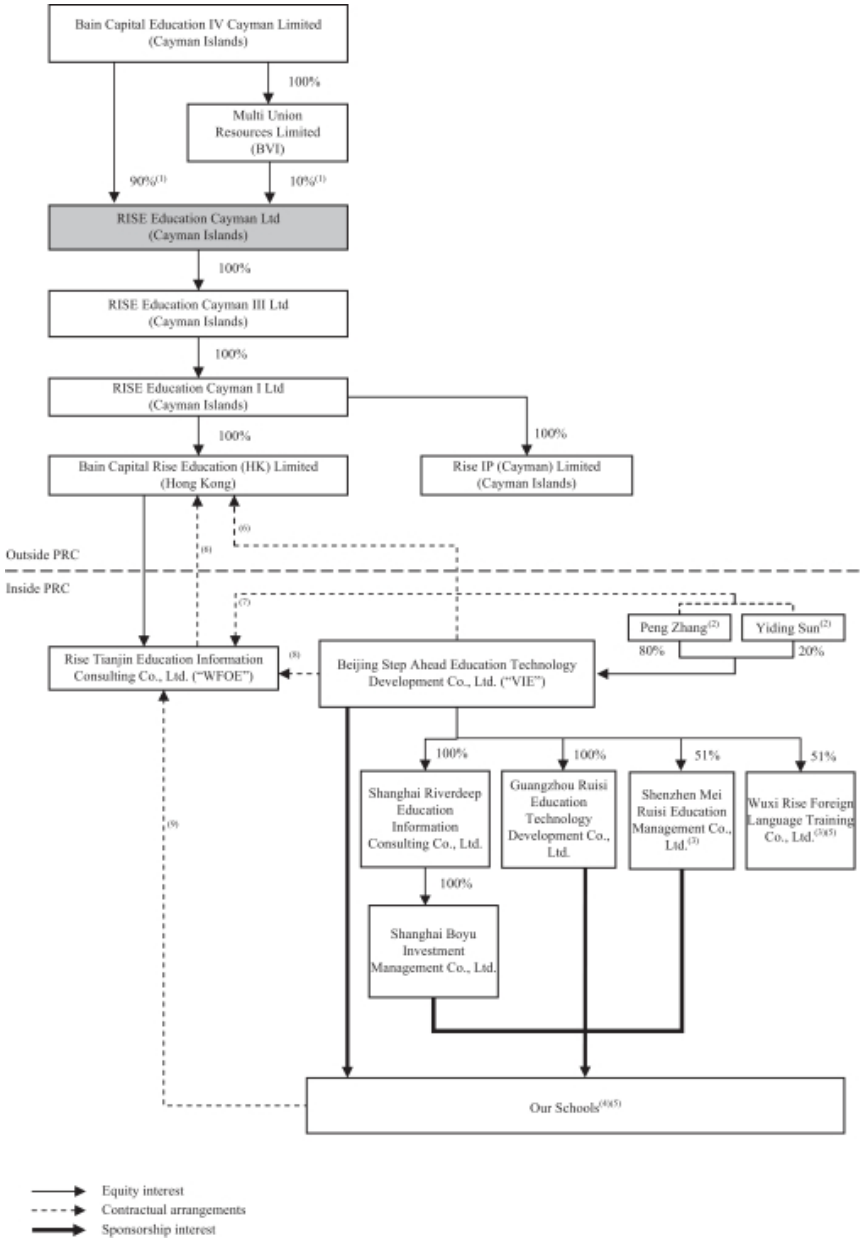
- expanding our learning center network;
- attracting new students and retaining existing students;
- maintaining and increasing brand awareness;
- enhancing products and students experiences; and
- improving operating efficiency.

In addition, we face risks and uncertainties related to our compliance with applicable regulations and policies in our principal markets and operations, particularly those risks and uncertainties associated with our control over the variable interest entity, or VIE, and its subsidiaries or schools based on contractual and other arrangements rather than direct equity ownership in China.

See “Risk Factors,” “Special Note Regarding Forward-Looking Statements” and other information included in this prospectus for a detailed discussion of the above and other challenges, risks and uncertainties.

Corporate History and Structure

The chart below summarizes our corporate structure and identifies the principal subsidiaries and VIE and its subsidiaries and schools, or consolidated affiliates, as of the date of this prospectus:



(1) Following the completion of this offering, Bain Capital Rise Education IV Cayman Limited, Multi Union Resources Limited and public shareholders will beneficially own 80.0%, nil and 20.0% of our total ordinary shares, respectively. See "Principal and Selling Shareholders."

(2) Mr. Peng Zhang, an employee of an affiliate of our principal shareholder, Bain Capital Rise Education IV Cayman Limited, and Mr. Yiding Sun, our chief executive officer and director, hold 80% and 20% of the VIE's equity interests, respectively.

(3) The remaining 49% equity interests are owned by an unrelated third party.

(4) Under PRC law, entities and individuals who establish and maintain ownership interests in private schools are referred to as "sponsors." The rights of sponsors vis-à-vis private schools are similar to those of shareholders vis-à-vis companies with regard to legal, regulatory and tax matters, but differ with regard to the rights to receive returns on investment and the distribution of residual properties upon termination and liquidation. As of June 30, 2017, we had established 16 private schools in China to operate our network of self-owned learning centers. For more information regarding school sponsorship and the difference between sponsorship and ownership under relevant laws and regulations, see "Regulation—The Law for Promoting Private Education and Its Implementation Rules."

(5) Learning centers are not legal entities under PRC law. As of June 30, 2017, we had 56 self-owned learning centers across China, 54 of which were operated by the 16 schools for which we are the sponsor and two of which was operated by Wuxi Rise Foreign Language Training Co., Ltd., a non-school enterprise.

(6) Consulting Services Agreements

(7) Loan Agreements, Proxy Agreement, Call Option Agreement, Equity Pledge Agreement and Business Cooperation Agreement

(8) Proxy Agreement, Business Cooperation Agreement, Service Agreement, Call Option Agreement and Equity Pledge Agreement

(9) License Agreements and Comprehensive Services Agreements

Corporate Information

Our principal executive offices are located at Room 101, Jia He Guo Xin Mansion, No.15 Baiqiao Street, Guangqumennei, Dongcheng District, Beijing 100062, People's Republic of China. Our telephone number at this address is +86 10-8559 9000. Our registered office in the Cayman Islands is at the offices of Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our agent for service of process in the United States is Cogency Global Inc., located at 10 East 40th Street, 10th Floor, New York, N.Y. 10016.

Investors should contact us for any inquiries through the address and telephone number of our principal executive offices. Our website is *en.risecenter.com*. The information contained on our website is not a part of this prospectus.

Implications of Being an Emerging Growth Company

As a company with less than US$1.07 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements compared to those that are otherwise applicable generally to public companies. These provisions include exemption from the auditor

attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002 in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of the fiscal year during which we have total annual gross revenue of at least US$1.07 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the preceding three-year period, issued more than US$1.07 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Exchange Act, as amended, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

Conventions Which Apply to this Prospectus

Unless we indicate otherwise, all information in this prospectus reflects no exercise by the underwriters of their option to purchase up to 1,650,000 additional ADSs representing 3,300,000 ordinary shares from one of the selling shareholders.

Except where the context otherwise requires:

- "ADSs" refers to our American depositary shares, each of which represents two ordinary shares;
- "ADRs" refers to the American depositary receipts, which, if issued, evidence our ADSs;
- "China" or "PRC" refers to the People's Republic of China, excluding, for the purpose of this prospectus only, Taiwan and the special administrative regions of Hong Kong and Macau;
- "RMB" or "Renminbi" refers to the legal currency of China;
- "shares" or "ordinary shares" refers to our ordinary shares, par value US$0.01 per share;
- "student enrollments" refers to the cumulative total number of courses enrolled in by students during a given period of time; if one student enrolls in multiple courses, it will be counted as multiple student enrollments;
- "students" or "teachers" refers to students or teachers, respectively, at self-owned learning centers unless otherwise specified;
- "student retention rate" refers to the percentage of the number of students who continue to study at our self-owned learning centers after completing courses in a particular period to the total number of students who complete courses during the same period;
- "tier-one cities" refers to Beijing, Shanghai, Guangzhou and Shenzhen;
- "US$," "U.S. Dollars," "$" and "dollars" refer to the legal currency of the United States; and
- "we," "us," "our company," "our" or "RISE Education" refers to RISE Education Cayman Ltd, a Cayman Islands company, its subsidiaries and its consolidated affiliates, including our VIE, its subsidiaries and schools.

Our reporting currency is the Renminbi. The functional currency of RISE Education Cayman Ltd and its non-PRC subsidiaries is U.S. Dollars, and that of its PRC subsidiaries, VIE and its subsidiaries and schools located in the PRC is the Renminbi. This prospectus contains translations of certain Renminbi amounts into U.S. Dollars for the convenience of the reader. Unless otherwise stated, all translations of Renminbi into U.S. Dollars

have been made at the rate of RMB6.7793 to US$1.00, being the noon buying rate in The City of New York for cable transfers in Renminbi as certified for customs purposes by the Federal Reserve Bank of New York in effect as of June 30, 2017 set forth in the H.10 statistical release of the U.S. Federal Reserve Board for translation into U.S. Dollars. We make no representation that the Renminbi or U.S. Dollar amounts referred to in this prospectus could have been, or could be, converted into U.S. Dollars, Renminbi, as the case may be, at any particular rate or at all. On September 29, 2017, the noon buying rate for Renminbi were RMB6.6533 to US$1.00.

THE OFFERING

The following assumes that the underwriters will not exercise their option to purchase additional ADSs in the offering, unless otherwise indicated.

Offering Price	We expect that the initial public offering price will be between US$12.00 and US$14.00 per ADS.
ADSs Offered by Us	5,000,000 ADSs.
ADSs Offered by the Selling Shareholders	6,000,000 ADSs (or 7,650,000 ADSs if the underwriters exercise their option to purchase additional ADSs in full).
ADSs Outstanding Immediately After This Offering	11,000,000 ADSs (or 12,650,000 ADSs if the underwriters exercise their option to purchase additional ADSs in full).
Ordinary Shares Outstanding Immediately After This Offering	110,000,000 ordinary shares.
NASDAQ Global Select Market symbol	REDU.
The ADSs	Each ADS represents two ordinary shares. The ADSs may be evidenced by ADRs. The depositary will hold the ordinary shares underlying your ADSs and you will have rights as provided in the deposit agreement. We do not expect to pay dividends in the foreseeable future after this offering. If, however, we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our ordinary shares, after deducting its fees and expenses. You may turn in your ADSs to the depositary in exchange for ordinary shares. The depositary will charge you fees for any exchange. We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs, you agree to be bound by the deposit agreement as amended. To better understand the terms of the ADSs, you should carefully read the “Description of American Depositary Shares” section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.
Option to Purchase Additional ADSs	One of the selling shareholders has granted to the underwriters an option, exercisable within 30 days from the date of this prospectus, to purchase up to 1,650,000 additional ADSs.

Use of Proceeds	We estimate that we will receive net proceeds of approximately US$50.5 million from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, including all of the underwriting discounts and commissions of the selling shareholders, and assuming an initial public offering price of US$13.00 per ADS, being the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus. We plan to use the net proceeds of this offering primarily for the following purposes: • US$30.0 million for repayment in full of a short-term facility; • approximately US$8.0 million for business development, including business expansion through potential acquisitions; • approximately US$8.0 million for investment in product development; and • the remainder for working capital and other general corporate purposes. See “Use of Proceeds” for additional information. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders.
Reserved ADSs	At our request, the underwriters have reserved up to 770,000 of the ADSs being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us. The sales will be made by Morgan Stanley & Co. International plc, an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved ADSs, but any purchases they do make will reduce the number of ADSs available to the general public. Any reserved ADSs not so purchased will be offered by the underwriters to the general public on the same terms as the other ADSs.
Lock-up	We and our directors, executive officers, shareholders and certain option holders have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or otherwise dispose of any ADSs, ordinary shares or similar securities or any securities convertible into or exchangeable or exercisable for our ordinary shares or ADSs, for a period ending 180 days after the date of this prospectus. See “Underwriting” for more information.
Risk Factors	See “Risk Factors” and other information included in this prospectus for a discussion of risks you should carefully consider before investing in the ADSs.
Depositary	JPMorgan Chase Bank, N.A.

SUMMARY CONSOLIDATED FINANCIAL DATA

The following summary consolidated statements of income data for the years ended December 31, 2014, 2015 and 2016 and summary consolidated balance sheet data as of December 31, 2015 and 2016 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary consolidated statements of income data for the six months ended June 30, 2016 and 2017 and summary consolidated balance sheet data as of June 30, 2017 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. Our historical results are not necessarily indicative of results expected for future periods. You should read this "Summary Consolidated Financial Data" section together with our consolidated financial statements and the related notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included elsewhere in this prospectus.

	For the Year Ended December 31,				Six Months Ended June 30,		
	2014	2015	2016		2016	2017	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(thousands, except for share, per share data and EBITDA margin)						
Summary Consolidated Statements of Income Data:							
Revenues:							
Educational programs	349,398	451,411	618,326	91,208	274,278	377,759	55,723
Franchise revenues	52,063	60,793	63,532	9,371	32,151	52,025	7,674
Others	5,244	17,265	29,135	4,298	8,617	7,316	1,079
Total revenues	406,705	529,469	710,993	104,877	315,046	437,100	64,476
Cost of revenues	(295,097)	(346,671)	(363,579)	(53,631)	(169,737)	(196,079)	(28,924)
Gross profit	111,608	182,798	347,414	51,246	145,309	241,021	35,552
Operating expenses:							
Selling and marketing	(74,368)	(96,688)	(128,475)	(18,951)	(53,722)	(71,243)	(10,509)
General and administrative	(122,791)	(135,603)	(148,093)	(21,845)	(68,311)	(84,921)	(12,526)
Total operating expenses	(197,159)	(232,291)	(276,568)	(40,796)	(122,033)	(156,164)	(23,035)
Operating (loss)/income	(85,551)	(49,493)	70,846	10,450	23,276	84,857	12,517
Interest income	7,150	17,853	16,622	2,452	6,053	9,438	1,392
Interest expense	—	—	(6,073)	(896)	—	(9,907)	(1,461)
Foreign currency exchange loss	(27)	(1,473)	(2,741)	(404)	(1,188)	198	29
Other income/(expense), net	74	253	4,391	648	(40)	(136)	(20)
(Loss)/income before income tax expense	(78,354)	(32,860)	83,045	12,250	28,101	84,450	12,457
Income tax benefit/(expense)	5,685	1,119	(32,202)	(4,750)	(9,842)	(26,623)	(3,927)
Net (loss)/income	(72,669)	(31,741)	50,843	7,500	18,259	57,827	8,530
Add: Net loss attributable to non-controlling interests	7,497	5,456	3,080	454	1,066	2,261	333
Net (loss)/income attributable to RISE Education Cayman Ltd	(65,172)	(26,285)	53,923	7,954	19,325	60,088	8,863
Net (loss)/income per share:							
Basic and diluted	(0.65)	(0.26)	0.54	0.08	0.19	0.60	0.09
Shares used in net (loss)/income per share computation:							
Basic and diluted	100,000,000	100,000,000	100,000,000		100,000,000	100,000,000	
Non-GAAP Financial Measures:							
EBITDA(1)	14,818	40,794	142,318	20,993	58,591	109,562	16,161
EBITDA margin(2)	3.6%	7.7%	20.0%	20.0%	18.6%	25.1%	25.1%

(1) To see how we define and calculate EBITDA, a reconciliation between EBITDA and net (loss)/income (the most directly comparable U.S. GAAP financial measure) and a discussion about the limitations of non-GAAP financial measures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."
(2) EBITDA margin is calculated by dividing EBITDA by revenues.

	As of December 31,			As of June 30,	
	2015	2016		2017	
	RMB	RMB	US$	RMB	US$
			(thousands)		
Summary Consolidated Balance Sheet Data:					
Total current assets	553,224	707,738	104,397	950,057	140,141
Cash and cash equivalents	517,436	639,999	94,405	537,032	79,217
Prepayments and other current assets	24,080	45,517	6,714	53,227	7,851
Total non-current assets	782,514	792,560	116,909	793,005	116,975
Property and equipment, net	70,860	75,673	11,162	87,255	12,871
Intangible assets, net	244,798	225,951	33,330	213,431	31,483
Goodwill	444,412	461,686	68,102	455,608	67,206
Total assets	1,335,738	1,500,298	221,306	1,743,062	257,116
Total current liabilities	571,426	763,366	112,603	951,741	140,390
Current portion of long-term loan	—	38,186	5,633	37,286	5,500
Accrued expenses and other current liabilities	73,172	96,158	14,184	101,591	14,986
Deferred revenue and customer advances	489,918	601,324	88,700	786,171	115,966
Total non-current liabilities	12,987	338,505	49,932	338,761	49,970
Long-term loan	—	333,102	49,135	327,270	48,275
Total liabilities	584,413	1,101,871	162,535	1,290,502	190,360
Total RISE Education Cayman Ltd shareholders' equity	757,018	407,200	60,066	463,594	68,384
Non-controlling interests	(5,693)	(8,773)	(1,295)	(11,034)	(1,628)
Total equity	751,325	398,427	58,771	452,560	66,756
Total liabilities, non-controlling interests and shareholders' equity	1,335,738	1,500,298	221,306	1,743,062	257,116

RISK FACTORS

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

Risks Related to Our Business and Industry

We may not be able to attract new students or retain our existing students.

The success of our business depends largely on the number of students. Therefore, our ability to continue to attract new students and retain existing students is critical to our continued success and growth. Being able to do so is dependent on a variety of factors, including our ability to maintain and enhance product and service quality, refine our teaching methodologies and innovate and develop new products to respond to our customers' demands and changing market trends. If we are unable to continue to attract new students or retain existing students, our revenues may decline, or we may not be able to maintain profitability, either of which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to maintain or enhance our brand.

We believe that our "RISE" brand has contributed significantly to the success of our business and thus it is one of our key competitive advantages. We undertake a number of initiatives and invest significant capital and other resources to promote our brand. However, our branding efforts may not be successful or may even inadvertently damage our brand. Moreover, our brand may be materially and adversely affected if our franchise partners fail to properly maintain the operations of their franchised learning centers. Furthermore, any negative publicity relating to our company, products, teachers, employees and students, self-owned learning centers, franchise partners, franchised learning centers or their teachers, employees and students, regardless of its veracity, could harm our brand image and reputation and even expose us to adverse legal and regulatory consequences. If we are unable to maintain or enhance our brand, eliminate incidents of negative publicity, or manage our marketing and branding spend, our business and results of operations may be materially and adversely affected.

We face intense competition in our industry, and we may fail to maintain or gain market share.

The junior ELT market in China is rapidly evolving, highly fragmented and intensely competitive. Competition in this industry may persist and even intensify. We compete with other junior ELT service providers in a number of areas, such as brand image, course content and structure and service quality. Some of these competitors may have greater financial or other resources than we do. We cannot assure you that we will be able to compete successfully against existing or potential competitors, and if we fail to gain or maintain, or if we lose market share, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to grow as rapidly as we have in the past, or effectively execute our growth strategies.

We aim to continue to open new self-owned learning centers, and cooperate with franchise partners to open new franchised learning centers. We also aim to continue enrolling new students, recruiting new teachers, increasing the operating efficiency of our existing and new learning centers and investing in complementary products. However, we may not be able to continue to grow as rapidly as we have in the past.

Furthermore, if we fail to execute our growth strategies effectively, our financial condition and results of operations may be materially and adversely affected.

Our profitability may decline due to various factors.

We may face challenges in maintaining our profitability due to a rise in either or both of our fixed and variable costs as a percentage of our overall revenues. Our fixed costs largely comprise rental and personnel costs while variable costs primarily include teacher and sales and marketing costs. The rise in fixed or variable costs may be due to increasing competition, a result of operational decisions or unexpected. Any of these factors may negatively affect our profitability and have a material adverse effect on our financial condition and results of operations.

We may not be successful in introducing new products or enhancing our existing products.

We currently offer three flagship courses Rise Start, Rise On and Rise Up, as well as a series of complementary products. We intend to continue developing new products, as well as further enhancing our existing products. This process is subject to risks and uncertainties, such as unexpected technical, operational, logistical or other problems that could delay the process temporarily or permanently. Moreover, we cannot assure you that any of these new products or enhancement of existing products will fulfill customer needs, match the quality or popularity of those developed by our competitors, achieve widespread market acceptance or generate incremental revenues.

In addition, introducing new products or enhancing existing products requires us to make various investments in curriculum and courseware development and management, incur personnel expenses and potentially reallocate other resources. If we are unable to develop new products or cannot do so in a cost-effective manner, or are otherwise unable to manage effectively the operations of those products, our financial condition and results of operations could be adversely affected.

A number of learning centers operate without the required licenses, permits, filings or registrations.

In order to operate our business, we must receive a number of licenses, permits, and approvals, make filings or complete registrations. These include receiving private school operating permits and private non-enterprise entity certificates, receiving approvals from or making filings to local education bureaus, and passing fire control assessments. Given the significant amount of discretion held by local PRC authorities in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control, we cannot guarantee you that we will be able to obtain and maintain all requisite licenses, permits, approvals, filings, or pass all requisite assessments. While we are in the process of bringing our operations into compliance, among all our self-owned learning centers, those that as of the date of this prospectus do not possess the required private school operating permit or private non-enterprise entity certificates, have not obtained approvals from or made filings to local education bureaus, or have not passed the required fire control assessments, as a whole, were responsible for 23.1% of our total revenues in the six months ended June 30, 2017. Further, new learning centers that we open may have similar compliance issues for a period of time after their opening. Though as of the date of this prospectus no action has been taken against us or any of our learning centers, if any of our current or future learning centers fail to receive the requisite licenses, permits and approvals, make the necessary filings, or complete all requisite registrations, that learning center may be subject to penalties. These may include fines, orders to promptly rectify the non-compliance, or if the non-compliance is deemed by the regulators to be serious, the school may be ordered to return tuition and fees collected and pay a multiple of the amount of returned tuition and fees to regulators as a penalty or may even be ordered to cease operations.

Moreover, under PRC laws and regulations, we may be required to obtain an ICP license, an audio or video program transmission license, an internet culture permit and an online publishing services permit for the operation of our online educational products, such as Rise Up and Can-Talk. Although we have not received any material fines or other penalties for non-compliance in the past, if we are not able to comply with all applicable

legal requirements, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, suspension of our non-compliant operations or revocation of the operating permits of the non-compliant schools, any of which may materially and adversely affect our business, financial condition and results of operations.

We may fail to successfully grow or operate our franchise business as our franchise partners may fail to operate the franchised learning centers effectively or we may be unable to maintain our relationships with our franchise partners.

We derive revenues from our franchise business through initial or renewal franchise fees, recurring franchise fees based on an agreed percentage of each franchised learning center's collected tuition fees, and the sale of individual course materials. We expect our franchise revenues to increase as we grow. We rely on our franchise partners to open and operate new learning centers and our results of operations depend on our ability to attract as well as retain franchise partners. Our franchise partners are independent operators and are responsible for the profitability and financial viability of their learning centers. If our franchise partners fail to operate their learning centers effectively or grow their operations, then our financial condition and results of operations may be materially and adversely affected.

We typically sign a five-year franchise agreement with our franchise partners. Upon expiration of the franchise agreement, we may not be able to renew because it is subject to mutual agreement by both parties. If we fail to renew the franchise agreement, it may also adversely impact our financial condition and results of operations.

We may not effectively monitor or manage the operations of franchised learning centers.

Our franchise partners are required to use our standardized curricula and teaching methodologies and to comply with other standardized operating procedures and requirements for the franchised learning centers. However, we may not be able to effectively monitor or control the operations of these learning centers as our franchise partners may deviate from our standards and requirements. Moreover, we do not control the actions of their employees, including their teachers. As a result, the quality of franchised learning center operations may be adversely affected by any number of factors beyond our control.

While we ultimately can take actions to terminate or choose not to renew existing franchise agreements with franchise partners who do not comply with the terms and conditions stipulated by our franchise agreements, including standardized operating procedures, we may not be immediately aware or able to identify problems or take actions quickly enough to resolve these problems. This may lead to potential legal and regulatory non-compliance incidents. For instance, lack of the requisite permits and licenses to operate the franchised learning centers or a failure in registration of franchise agreements with PRC authorities may subject our franchise partners to regulatory risks, which may significantly affect our brand, the results of operations of the franchised learning centers and in turn adversely and materially affect our financial condition.

Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services.

Our success depends in part on the continued application of services, efforts and motivation of our senior management team and key personnel. If one or more of our senior management members or key personnel are unable to continue in their present positions, we may not be able to find replacements successfully, and our business may be disrupted.

We will need to continue to hire additional personnel as our business grows. A shortage in the supply of personnel with requisite skills could negatively impact our ability to manage our existing products and services, launch new products and expand our operations. There is competition for experienced personnel in the private education industry and key personnel could leave us to join our competitors. Losing the services of our experienced personnel may be disruptive to and cause uncertainty for our business, which may have a material adverse effect on our business, financial condition and results of operations.

We may not be able to continue to recruit, train and retain a sufficient number of qualified teachers.

Teachers help us maintain the quality of our education and services, as well as our brand and reputation. Our ability to continue to attract teachers with the necessary experience and qualifications is a key factor in the success of our operations. We seek to hire qualified teachers who are dedicated to teaching and are able to follow our teaching procedures and deliver effective instruction. The market for teacher recruitment in China is competitive, and we must also provide continued training to ensure that teachers stay abreast of changes in student demands, our teaching methodologies and other key trends necessary. Further, the Measures of Punishment for Violation of Professional Ethics of Primary and Secondary School Teachers, promulgated by the PRC Ministry of Education, or MOE, on January 11, 2014, prohibits teachers of primary and secondary schools from providing paid tutoring in schools or in out-of-school learning centers. Although we do not particularly target public school teachers in our teacher recruitment and we typically do not hire part-time teachers, in order to recruit qualified full-time teachers, including those with public school experience, we must provide candidates with competitive compensation packages and offer attractive career development opportunities. Although we have not experienced major difficulties in recruiting or training qualified teachers in the past, we cannot guarantee we will be able to continue to recruit, train and retain a sufficient number of qualified teachers in the future, which may have a material adverse effect on our business, financial condition and results of operations.

We may encounter disputes from time to time relating to the use of third party intellectual properties.

We cannot assure you that our products, courseware, course materials or any intellectual property developed or used by us do not or will not infringe the intellectual property rights held by third parties.

Under our intellectual property arrangements with HMH, we have an exclusive, subject to certain pre-existing third party rights, and royalty-free license from HMH to use certain HMH courseware developed before October 2011 in China permanently for after-school tutoring services for the primary purpose of teaching the English language to non-native English speaking students. The curricula of Rise Start and Rise On uses HMH courseware along with other self-developed content. The arrangements with HMH also entitle us to develop derivative products based on this HMH courseware.

Furthermore, we are subject to certain sublicensing restrictions under our arrangements with HMH. For example, we cannot sublicense to any party that has been finally adjudged as liable for willful copyright infringement in the last five years and we cannot guarantee that the sublicensing restrictions have been fully complied with when we sublicense our curricular to our franchise partners. As a result, we may be deemed liable for breaching our obligations under the license arrangements with HMH.

As of the date of this prospectus, we are not aware of any ongoing legal proceedings or disputes alleging our infringement of third-party intellectual properties. However, we may encounter disputes from time to time over rights and obligations concerning intellectual property, and we may not prevail in those disputes. Any such intellectual property infringement claim could result in costly litigation and divert our management attention and resources.

We may fail to adequately protect our intellectual property rights, and we may be exposed to intellectual property infringement claims by third parties.

Since our inception, our trademarks, copyrights, domain names, trade secrets and other intellectual property rights have distinguished us from our competitors and strengthened our competitive advantages.

Under our arrangements with HMH, we are entitled to develop and have developed derivative products based on licensed HMH courseware, and we own the intellectual property rights for all of these derivative products, including trademarks and copyrights, subject to HMH's ownership of the intellectual property rights in its underlying courseware. We hold a variety of intellectual property rights, including ten registered domain names, 202 registered trademarks in China, 67 copyright registrations in China and one patent in China as of June 30, 2017. Unauthorized use of any of our intellectual property by third parties, including our franchise

partners, may adversely affect our business and reputation. We rely on a combination of copyright, trademark and trade secrets laws, and confidentiality agreements with our employees and contractors, to protect our intellectual property rights. We also regularly monitor any infringement or misappropriation of our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorization. The practice of intellectual property rights enforcement by the PRC regulatory authorities is in its early stage of development and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. Any such action, litigation or other legal proceedings could result in substantial costs and diversion of our management's attention and resources and could disrupt our business. In addition, we cannot assure you that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property. Failure to adequately protect our intellectual property could materially and adversely affect our business, financial condition and results of operations.

Accidents, injuries, suspension of service or other harm may occur at our learning centers or the events we organize.

We could be held liable if any student, employee or other person is injured in any accident at any of our learning centers or the events we organize. Although we believe we take appropriate measures to prevent these risks, we may still be held liable if any such incident occurs. Parents may perceive our facilities or events to be unsafe, which may discourage them from sending their children to our learning centers or events. Although we maintain liability insurance, the insurance coverage may not be adequate to fully protect us from claims of all kinds and we cannot guarantee that we will be able to successfully claim under our existing liability insurance policies or obtain sufficient liability insurance in the future. We have historically encountered isolated student-related accidents on our learning center premises. Any criminal or liability claim against us or any of our employees could adversely affect our reputation and ability to attract and retain students. Any of these incidents may create unfavorable publicity, cause us to incur substantial expenses and divert the time and attention of our management.

We may not be able to integrate businesses that we may acquire in the future.

We may make acquisitions to facilitate our business growth, such as expanding into other geographic markets, serving different age groups of students and extending our product portfolio. We cannot assure you that we will be able to integrate the acquired businesses with our existing operations, and we may incur significant financial resources to streamline the operation of the acquired businesses under our internal control requirements and divert substantial management attention to the transition of the acquired businesses before achieving full integration. In addition, the businesses we acquire may be loss making or have existing liabilities or other risks that we may not be able to effectively manage or may not be aware of at the time we acquire them, which may impact our ability to realize the expected benefits from the acquisition or our financial performance. If we fail to integrate the acquired businesses in a timely manner or at all, we may not be able to achieve the anticipated benefits or synergies from the acquired businesses, which may adversely affect our business growth.

Our results of operations are subject to seasonal fluctuations.

Our industry generally experiences seasonality. Seasonal fluctuations have affected, and are likely to continue to affect, our business. In general, we generate higher revenues in the third quarter as we generate revenues from summer overseas study tours during the summer holiday. We also generally generate lower revenues in the first quarter as we deliver fewer classes due to the Chinese New Year holiday, which is partially offset by revenues generated from our winter overseas study tours. Overall, although the historical seasonality of our business has been relatively mild, we expect to continue to experience seasonal fluctuations in our results of operations. These fluctuations may result in volatility in and adversely affect the price of our ADSs.

We may not be able to conduct our selling and marketing activities effectively.

Our selling and marketing activities may not be well received by parents or students and may not result in the level of sales that we anticipate. In addition, we may not be able to retain or recruit experienced selling and marketing staff, or to efficiently train junior staff. Moreover, selling and marketing methods and tools in the junior ELT market in China continue to evolve. This may require us to experiment with new methods to keep pace with industry developments and student needs. Failure to refine our existing approaches or to implement new approaches in a cost-effective manner may reduce our market share, cause our revenues to decline and negatively impact our profitability.

We may have to relocate our learning centers.

As of June 30, 2017, we leased a total area of approximately 67,800 square meters for self-owned learning centers across China, and we may have to relocate for a number of reasons.

Our lease arrangements are typically for a term of at least five years, and are renewable upon mutual consent at the end of the period. We may not be able to successfully renew leases upon expiration of the current term, and may decide to move to more premium locations or have to relocate our operations for various other reasons, including increase of rentals and failure in passing the fire prevention assessment in certain locations. In those cases, we may not be able to locate desirable alternative sites for our learning centers or at a reasonable price.

We have not been able to receive from our lessors of some of our leased properties copies of title certificates or proof of authorization to lease the properties to us. In addition, we have not registered most of our lease agreements with relevant government authorities as required by PRC law. As of the date of this prospectus, we are not aware of any actions, claims or investigations threatened against us or our lessors with respect to the defects in our leasehold interests. However, if any of our leases is terminated as a result of challenges by third parties or governmental authorities for lack of title certificates or proof of authorization to lease, we do not expect to be subject to any fines or penalties but we may be forced to relocate the affected learning centers and incur additional expenses relating to such relocation. In addition, failure to complete the lease registration will not affect the legal effectiveness of the lease agreements according to PRC law, but the real estate administrative authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time and the failure to do so may subject the parties to fines from RMB1,000 to RMB10,000.

Our data management system may have weakness and personal data that we collect and retain may be publicly disclosed due to a system failure or otherwise.

We maintain personal data, such as academic records, address and family information of students, teachers and other employees. If the security measures we use to protect personal data are ineffective due to a system failure or other reasons, we could be liable for claims of invasion of privacy, impersonation, unauthorized purchases or other claims. In addition, we could be held liable for the misuse of personal data, fraudulent or otherwise, by students, teachers and other employees. We could incur significant expenses in connection with rectifying any security breaches, settling any resulting claims and providing additional protection to prevent additional breaches. In addition, any failure to protect personal information may adversely impact our ability to attract and retain students, harm our reputation and materially and adversely affect our business, results of operations and prospects.

Our relationships with overseas education service providers may deteriorate.

We collaborate with various overseas schools and institutions to provide overseas study tours to students where we are the operator who set the price. We organize tours for students to attend classes abroad, in preschools, elementary schools and middle schools, primarily in the United States and Canada. These

relationships help us offer more diverse products, and charge a premium for the products we offer with other overseas education service providers. These relationships also help us enhance our brand and reputation and provide exposure to international educational best practices and methods.

If our relationships with any of these overseas education service providers deteriorate or are otherwise damaged or terminated, or if the benefits we derive from these relationships diminishes, whether as a result of our own actions or the actions of others, including our competitors, or of regulatory authorities or other entities beyond our control, our business, prospects, financial condition and results of operations could be adversely affected.

We have limited insurance coverage with respect to our business and operations.

We are exposed to various risks associated with our business and operations, and we have limited insurance coverage. See "Business—Insurance" for more information. We are exposed to risks including, among other things, accidents or injuries in our learning centers, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. The insurance industry in China is still at an early stage of development, and as a result insurance companies in China offer limited business related insurance products. We do not have any business interruption insurance, product liability insurance or key-man life insurance. Any business disruption, legal proceeding or natural disaster or other events beyond our control could result in substantial costs and diversion of our resources, which may materially and adversely affect our business, financial condition and results of operations.

Our employees may engage in misconduct or other improper activities.

Like all companies, we face the risk of employee misconduct or other improper activities. Employee misconduct could include intentional failures to comply with laws and regulations, unauthorized activities, attempts to obtain reimbursement for improper expenses, or submission of falsified time records. Negative press reports regarding employee misconduct could harm our reputation, and if our reputation is negatively affected, our future revenues and growth prospects would be adversely affected. It is not always possible to deter employee misconduct, and the precautions we take to prevent and detect this activity may not be effective in controlling unknown or unmanaged risks or losses, which could harm our business, financial condition, results of operations and our ability to meet our financial obligations

We have granted options, and we may continue to grant options under our share incentive plans, which may result in increased share-based compensation expenses.

In 2016, we approved a share incentive plan, or the ESOP Plan, that permits the granting of options to purchase our ordinary shares. The maximum aggregate number of ordinary shares that may be issued pursuant to all awards under the ESOP Plan was 7,000,000. In 2017, we approved a new share incentive plan, or the 2017 ESOP Plan, that permits the granting of options, restricted shares, restricted share units, dividend equivalents, deferred shares, share payment and share appreciation rights. The 2017 ESOP Plan will become effective upon completion of this offering. As of the date of this prospectus, options to purchase 5,985,000 ordinary shares have been granted and outstanding under the ESOP Plan. The options granted are dependent on meeting the conditions of the ESOP Plan's exercisability event which includes the completion of the IPO or change of control. We will not recognize any compensation expense until the exercisability event occurs. As a result, we will incur future share-based compensation expenses upon the occurrence of the exercisability event, upon which the options will be accounted for as a cumulative compensation cost since the service inception date, with the remaining unrecognized compensation cost amortized over the remaining requisite service period.

As of June 30, 2017, the unrecognized compensation expenses related to the non-vested share options amounted to US$11.9 million, which will be recognized over the remaining requisite period when the exercisability event becomes probable. Expenses associated with share-based compensation awards granted

under our share incentive plan may materially reduce our future net income. However, if we limit the size of grants under our share incentive plan to minimize share-based compensation expenses, we may not be able to attract or retain key personnel.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In connection with the audit of our consolidated financial statements for the years ended December 31, 2014, 2015 and 2016 and as of December 31, 2015 and 2016, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting as of December 31, 2016. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Internal Control over Financial Reporting." We have subsequently adopted measures to improve our internal control over financial reporting. We cannot assure you, however, that these measures may fully address these deficiencies in our internal control over financial reporting or that we may conclude that they have been fully remedied. Our failure to correct these control deficiencies or our failure to discover and address any other control deficiencies could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis. As a result, our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, may be materially and adversely affected. Moreover, ineffective internal control over financial reporting significantly hinders our ability to prevent fraud.

The audit report included in this prospectus is prepared by auditors who are not fully inspected by the Public Company Accounting Oversight Board, and, as such, you are deprived of the benefits of such inspection.

Our independent registered public accounting firm issues the audit report included in this prospectus filed with the Securities and Exchange Commission, or the SEC. As auditors 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, our independent registered public accounting firm, 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. Because our auditors are located in China, a jurisdiction where PCAOB is currently unable to conduct full inspections without the approval of the Chinese authorities, our auditors are not currently inspected by PCAOB.

Inspections of other firms that PCAOB has conducted outside 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. This lack of full PCAOB inspections in China prevents PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

The inability of PCAOB to conduct full 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 Big Four PRC-based 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, 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 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 PCAOB and that such requests, and similar requests by foreign regulators for access to such papers in China, had to be channeled through the China Securities Regulatory Commission, or 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, each of the four China-based accounting firms agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC. The firms' ability to continue to serve all their respective clients is not affected by the settlement. The settlement requires the firms to follow detailed procedures to seek to provide the SEC with access to Chinese firms' audit documents via the China Securities Regulatory Commission. If the firms do not follow these procedures, the SEC could impose penalties such as suspensions, or it could restart the administrative proceedings. The settlement did not require the firms to admit to any violation of law and preserves the firms' legal defenses in the event the administrative proceeding is restarted.

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 our 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 Nasdaq or deregistration from the SEC, or both, which would substantially reduce or effectively terminate the trading of our shares in the United States.

Risks Related to Our Corporate Structure

The PRC government may find that the contractual arrangements that establish our corporate structure for operating our business do not comply with applicable PRC laws and regulations.

PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing education services outside China. Our Cayman Islands holding company is not an educational institution and does not provide education services. To comply with PRC laws and regulations, we operate our business through our PRC consolidated affiliates, including Beijing Step Ahead Education Technology Development Co., Ltd., or Beijing Step Ahead or VIE, and its subsidiaries and schools that operate self-owned learning centers. Beijing Step Ahead is 80% owned by Mr. Peng Zhang and 20% owned by Mr. Yiding Sun. Both shareholders of Beijing Step Ahead are PRC citizens. We entered into a series of contractual arrangements with Beijing Step Ahead and its schools and shareholders, which enable us to:

- exercise effective control over our consolidated affiliates;
- receive substantially all of the economic benefits from our consolidated affiliates; and

- have a call option to purchase all or part of the equity interests in Beijing Step Ahead when and to the extent permitted by the relevant laws.

Because of these contractual arrangements, we are the primary beneficiary of Beijing Step Ahead and its subsidiaries and schools and treat them as our PRC consolidated affiliates under U.S. GAAP. We consolidate the financial results of Beijing Step Ahead and its subsidiaries and schools in our consolidated financial statements in accordance with U.S. GAAP. For a detailed discussion of these contractual arrangements, see "Corporate History and Structure."

There are, however, substantial uncertainties regarding the interpretation and application of current or future PRC laws and regulations concerning foreign investment in the PRC, and their application to and effect on the legality, binding effect and enforceability of the contractual arrangements. In particular, we cannot rule out the possibility that PRC regulatory authorities, courts or arbitral tribunals may in the future adopt a different or contrary interpretation or take a view that is inconsistent with the opinion of our PRC legal counsel.

It is uncertain whether any new PRC laws, rules or regulations relating to VIE structures will be adopted or if adopted, what affect they may have on our corporate structure. In particular, in January 2015, the Ministry of Commerce, or MOFCOM, published a discussion draft of the proposed Foreign Investment Law, or the Draft Foreign Investment Law, for public review and comments. Among other things, the Draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise, or an FIE. Under the Draft Foreign Investment Law, variable interest entities would be deemed as FIEs, if they are ultimately "controlled" by foreign investors, and would thus be subject to restrictions on foreign investments. We are controlled by a legal entity incorporated outside of PRC, and therefore, it increases the likelihood that our company may be deemed as controlled by foreigners. However, the draft law has not taken a position on what actions will be taken with respect to existing companies with a "variable interest entity" structure, whether or not these companies are controlled by Chinese parties. It is uncertain when the draft would be signed into law and whether the final version would have any substantial changes from the draft. See "Regulation—The Draft Foreign Investment Law" and "—We face uncertainties with respect to the interpretation and implementation of The Draft Foreign Investment Law, which proposes significant changes to the PRC foreign investment legal regime and has a material impact on businesses in China controlled by foreign invested enterprises primarily through contractual arrangements, such as our business."

If, as a result of such contractual arrangement, we or Beijing Step Ahead and its subsidiaries and schools are found to be in violation of any existing or future PRC laws or regulations, or such contractual arrangement is determined as illegal and invalid by the PRC court, arbitral tribunal or regulatory authorities, or we fail to obtain, maintain or renew any of the required permits or approvals, the relevant PRC regulatory authorities would have broad discretion to take action in dealing with such violations or failures, including:

- revoking the business licenses and/or operating licenses of Rise Tianjin Education Information Consulting Co., Ltd., or Rise Tianjin, and/or Beijing Step Ahead and its subsidiaries and schools;
- discontinuing or restricting the conduct of any transactions between Rise Tianjin and Beijing Step Ahead and its subsidiaries and schools;
- limiting our business expansion in China by way of entering into contractual arrangements;
- imposing fines and penalties, confiscating the income from Beijing Step Ahead and its subsidiaries and schools, or imposing other requirements with which we or Beijing Step Ahead and its subsidiaries and schools may not be able to comply with;
- shutting down our servers or blocking our websites;
- requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with Beijing Step Ahead and its subsidiaries and schools and deregistering the equity pledges of Beijing Step Ahead;

- restricting or prohibiting our use of the proceeds of this offering to finance our business and operations in China;
- restricting the use of financing sources by us or our consolidated affiliates or otherwise restricting our or their ability to conduct business;
- imposing additional conditions or requirements with which we may not be able to comply with; or
- take other regulatory or enforcement actions against us that could be harmful to our business.

The imposition of any of these penalties could result in a material and adverse effect on our ability to conduct our business and on our results of operations. If any of these penalties results in our inability to direct the activities of our consolidated affiliates that most significantly impact their economic performance, and/or our failure to receive the economic benefits from our consolidated affiliates, we may not be able to consolidate them in our consolidated financial statements in accordance with U.S. GAAP.

We face uncertainties with respect to the interpretation and implementation of The Draft Foreign Investment Law, which proposes significant changes to the PRC foreign investment legal regime and has a material impact on businesses in China controlled by foreign invested enterprises primarily through contractual arrangements, such as our business.

On January 19, 2015, MOFCOM published the Draft Foreign Investment Law. At the same time, MOFCOM published an accompanying explanatory note of the draft Foreign Investment Law, which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of business in China controlled by FIEs, primarily through contractual arrangements. The Draft Foreign Investment Law is intended to replace the current foreign investment legal regime consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Foreign Owned Enterprise Law, as well as detailed implementing rules. The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime and may have a material impact on Chinese companies listed or to be listed overseas. The Draft Foreign Investment Law is to regulate FIEs the same way as PRC domestic entities, except for those FIEs that operate in industries deemed to be either foreign “restricted” or “prohibited.” The Draft Foreign Investment Law also provides that only FIEs operating in foreign restricted or prohibited industries will require entry clearance and other approvals that are not required of PRC domestic entities. As a result of the entry clearance and approvals, certain FIEs operating in foreign restricted or prohibited industries may not be able to continue their operations through contractual arrangements.

The specifics of the application of the Draft Foreign Investment Law to variable interest entity structures have yet to be proposed, but it is anticipated that the Draft Foreign Investment Law will regulate variable interest entities.

MOFCOM suggests both registration and approval as potential options for the regulation of variable interest entity structures, depending on whether they are “Chinese” or “foreign-controlled.” One of the core concepts of the Draft Foreign Investment Law is “de facto control,” which emphasizes substance over form in determining whether an entity is “Chinese” or “foreign-controlled.” This determination requires considering the nature of the investors that exercise control over the entity. “Chinese investors” are natural persons who are Chinese nationals, Chinese government agencies and any domestic enterprise controlled by Chinese nationals or government agencies. “Foreign investors” are foreign citizens, foreign governments, international organizations and entities controlled by foreign citizens and entities. In its current form, the Draft Foreign Investment Law will make it difficult for foreign financial investors, including private equity and venture capital firms, to obtain a controlling interest of a Chinese enterprise in a foreign restricted industry.

We rely on contractual arrangements with our consolidated affiliates and the shareholders of Beijing Step Ahead for our operations in China, which may not be as effective in providing control as direct ownership.

We have relied and expect to continue to rely on the contractual arrangements with our consolidated affiliates and the shareholders of Beijing Step Ahead to operate our junior ELT business. For a description of these contractual arrangements, see "Corporate History and Structure—Corporate Structure." In 2014, 2015 and 2016 and for the six months ended June 30, 2017, the revenue contribution of our consolidated affiliates accounted for 97%, 95%, 95% and 95%, respectively, of our total revenues. However, these contractual arrangements may not be as effective as direct equity ownership in providing us with control over our consolidated affiliates. Any failure by our consolidated affiliates or the shareholders of Beijing Step Ahead to perform their obligations under the contractual arrangements would have a material adverse effect on the financial position and performance of our company. For example, the contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with arbitral procedures as contractually stipulated. The commercial arbitration system in China is not as developed as some other jurisdictions, such as the United States.

As a result, uncertainties in the commercial arbitration system or legal system in China could limit our ability to enforce these contractual arrangements. In addition, if the legal structure and the contractual arrangements were found to violate any existing or future PRC laws and regulations, we may be subject to fines or other legal or administrative sanctions.

If the imposition of government actions causes us to lose our right to direct the activities of our consolidated affiliates or our right to receive substantially all the economic benefits from our consolidated affiliates and we are not able to restructure our ownership structure and operations in a satisfactory manner, we would no longer be able to consolidate the financial results of our consolidated affiliates.

Our consolidated affiliates and their shareholders may fail to perform their obligations under the contractual arrangements.

Our consolidated affiliates and their shareholders may fail to take certain actions required for our business or to follow our instructions despite their contractual obligations to do so. If they fail to perform their obligations under their respective agreements with us, we may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief, which may not be effective.

The shareholders of Beijing Step Ahead may have actual or potential conflict of interest with us and not act in the best interests of our company.

The shareholders of Beijing Step Ahead, namely, Mr. Peng Zhang and Mr. Yiding Sun, may have actual or potential conflicts of interest with us. These shareholders may refuse to sign or breach, or cause our consolidated affiliates to breach, or refuse to renew, the existing contractual arrangements we have with them and our consolidated affiliates, which would have a material and adverse effect on our ability to effectively control our consolidated affiliates and receive economic benefits from it. For example, the shareholders may be able to cause our agreements with our consolidated affiliates to be performed in a manner adverse to us by, among other things, failing to remit payments due under the contractual arrangements to us on a timely basis. We cannot assure you that when conflicts of interest arise any or all of these shareholders will act in the best interests of our company or such conflicts will be resolved in our favor. Currently, we do not have any arrangements to address potential conflicts of interest between these shareholders and our company. If we cannot resolve any conflict of interest or dispute between us and these shareholders, 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.

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

We are a holding company and rely principally on dividends and fees paid by our subsidiaries in China for our cash needs, including paying dividends and other cash distributions to our shareholders to the extent we choose to do so, servicing any debt we may incur and paying our operating expenses. The income for our offshore and PRC subsidiaries, especially Bain Capital Rise Education (HK) Limited, or Rise HK, Rise IP (Cayman) Limited, or Rise IP, and Rise Tianjin, in turn depends on the service fees and IP royalty fees paid by our consolidated affiliates. Current PRC regulations permit our subsidiaries in China to pay dividends to us only out of their accumulated profits, if any, determined in accordance with Chinese accounting standards and regulations. Under the applicable requirements of PRC law, our PRC subsidiaries may only distribute dividends after they have made allowances to fund certain statutory reserves. These reserves are not distributable as cash dividends. In addition, at the end of each fiscal year, each of our schools is required to allocate a certain amount to its development fund for the construction or maintenance of the school properties or purchase or upgrade of school facilities. In particular, our schools that require reasonable returns must allocate no less than 25.0% of their annual net income, and our schools that do not require reasonable returns must allocate no less than 25.0% of their annual increase in the net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. Furthermore, if our subsidiaries or our consolidated affiliates in China incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any such restrictions may materially affect such entities' ability to make dividends or make payments, in IP royalty, service fees or otherwise, to us, which may materially and adversely affect our business, financial condition and results of operations.

Contractual arrangements between our consolidated affiliates and us may be subject to scrutiny by the PRC tax authorities who may find that we or our consolidated affiliates owe additional taxes.

Under PRC laws and regulations, transactions between related parties should be conducted on an arm's-length basis and may be subject to audit or challenge by the PRC tax authorities. We could face material adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our subsidiary in China, our consolidated affiliates and the shareholders of Beijing Step Ahead are not conducted on an arm's-length basis and adjust the income of our consolidated affiliates through the transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in, for PRC tax purposes, increased tax liabilities of our subsidiary in China and consolidated affiliates. In addition, the PRC tax authorities may require us to disgorge our prior tax benefits, and require us to pay additional taxes for prior tax years and impose late payment fees and other penalties on our subsidiary in China and consolidated affiliates for underpayment of prior taxes. To date, similar contractual arrangements have been used by many public companies, including companies listed in the United States, and, to our knowledge, the PRC tax authorities have not imposed any material penalties on those companies. However, we cannot assure you that such penalties will not be imposed on any other companies or us in the future. Our net income may be reduced if the tax liabilities of our consolidated affiliates materially increase or if they are found to be subject to additional tax obligations, late payment fees or other penalties.

Our consolidated affiliates may become the subject of a bankruptcy or liquidation proceeding.

We currently conduct our operations in China through contractual arrangements with our consolidated affiliates and the shareholders of Beijing Step Ahead. As part of these arrangements, substantially all of our education-related assets that are critical to the operation of our business are held by our consolidated affiliates. If any of these entities goes bankrupt and all or part of their 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 affiliates undergoes a voluntary or involuntary liquidation proceeding, its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our ADSs.

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

Under PRC law, legal documents for corporate transactions, including agreements and contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant PRC industry and commerce authorities.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or consolidated affiliates. If any employee obtains, misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries and consolidated affiliates, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Any funds we transfer to our PRC subsidiaries and consolidated affiliates, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, or FIEs, the combined amount of offshore capital contributions and loans cannot exceed the FIE's approved total investment amount. Any capital contributions to our PRC subsidiaries must be filed with MOFCOM or its local counterparts, and registered with a local bank authorized by the State Administration of Foreign Exchange, or SAFE. In addition, (a) any loan provided by us to Rise Tianjin, our WFOE, which is a FIE, cannot exceed the difference between its total investment amount and registered capital, and must be registered with SAFE or its local counterparts, and (b) any loan provided by us to our VIE, its subsidiaries and schools, which are domestic PRC entities, over a certain threshold, must be approved by the relevant government authorities and must be registered with SAFE or its local counterparts. Given that the registered capital and total investment amount of Rise Tianjin are currently the same, if we seek to make a capital contribution to Rise Tianjin we must first apply to increase both its registered capital and total investment amount, while if we seek to provide a loan to Rise Tianjin, we must first increase its total investment amount. Although we currently do not have any immediate plans to utilize the proceeds from this offering to make capital contribution into Rise Tianjin or provide any loan to Rise Tianjin or to our VIE, its subsidiaries or schools, if we seek to do so in the future, we may not be able to obtain the required government approvals or complete the required registrations on a timely basis, if at all. If we fail to receive such approvals or complete such registrations, our ability to use the proceeds of this offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular on Reforming the Management Approach Regarding the Foreign Exchange Capital Settlement of Foreign-Invested Enterprises, or SAFE Circular 19. SAFE Circular 19 launched a nationwide reform of the administration of the settlement of the foreign exchange capitals of FIEs and allows FIEs to settle their foreign exchange capital at their discretion, but continues to prohibit FIEs from using the Renminbi fund converted from their foreign exchange capitals for expenditure beyond their business scopes, providing entrusted loans or repaying loans between non-financial enterprises. Violations of these Circulars could result in severe monetary or other penalties. SAFE Circular 19 and relevant foreign exchange regulatory rules may significantly limit our ability to use Renminbi converted from the net proceeds of this

offering to fund the establishment of new entities in China by our consolidated affiliates, to invest in or acquire any other PRC companies through our PRC subsidiaries or consolidated affiliates or to establish new consolidated affiliates in the PRC, which may adversely affect our business, financial condition and results of operations.

Risks Related to Doing Business in China

PRC economic, political and social conditions, as well as changes in any government policies, laws and regulations, could adversely affect the overall economy in China or the education services market.

Substantially all of our operations are conducted in China, and substantially all of our revenues are derived from China. Accordingly, our business, prospects, financial condition and results of operations are subject, to a significant extent, to economic, political and legal developments in China.

The PRC economy differs from the economies of most developed countries in many respects. Although the PRC economy has been transitioning from a planned economy to a more market-oriented economy since the late 1970s, the PRC government continues to play a significant role in regulating the industry. The PRC government continues to exercise significant control over China's economic growth through allocating resources, controlling the incurrence and payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. Uncertainties or changes in any of these policies, laws and regulations, especially those affecting the private education industry in China, could adversely affect the economy in China or the market for education services, which could harm our business. For example, under the previous Law on the Promotion of Private Education and its implementing rules, a private school should elect to be either a school that does not require "reasonable returns" or a school that requires "reasonable returns." A private school must consider factors such as the school's tuition, ratio of the funds used for education-related activities to the course fees collected, admission standards and educational quality when determining the percentage of the school's net income that would be distributed to the investors as reasonable returns. However, the previous PRC laws and regulations provide no clear guideline for determining "reasonable returns". In addition, the previous PRC laws and regulations do not set forth any different requirements for the management and operations of private schools that elect to require reasonable returns as compared to those that do not. On September 1, 2017, the Amended Law on the Promotion of Private Education came into effect, under which the concept "reasonable returns" is no longer applicable and a private school should elect to be either a for-profit school or a non-profit school. A for-profit school will be registered as a corporation and can distribute its profits to its sponsors pursuant to relevant corporate laws, while a non-profit school can only use its profits for the operation of schools. As the implementation rules for the Amended Law on the Promotion of Private Education are not yet available as of the date of the prospectus, it remains uncertain how the relevant government authorities will implement the new laws and how long the grace period will be.

While the PRC economy has experienced significant growth in the past two to three decades, growth has been uneven, both geographically and among various sectors of the economy. Demand for our education services depends, in large part, on economic conditions in China and especially the regions where we operate, including Beijing, Shanghai, Shenzhen and Guangzhou. Any significant slowdown in China's economic growth may adversely affect the disposable income of the families of prospective students and cause prospective students to delay or cancel their plans to enroll in our learning centers, which in turn could reduce our revenues. In addition, any sudden changes to China's political system or the occurrence of social unrest could also have a material adverse effect on our business, financial condition, results of operations and prospects.

We may be subject to significant limitations on our ability to operate learning centers, or otherwise be materially and adversely affected by changes in PRC laws and regulations governing private education providers. PRC rules and regulations issued by government authorities may restrict or prohibit after-school tutoring services; and similar or more stringent rules or regulations that limit our ability to offer our services may be introduced in the future.

Our junior ELT business is subject to certain regulations in China. The PRC government regulates various aspects of our business and operations, such as curriculum content, education materials, tuition and other fees. The laws and regulations applicable to the private education sector are subject to frequent change, and new laws and regulations may be adopted, some of which may have a negative effect on our business, either retroactively or prospectively.

Foreign ownership in education services is subject to significant regulations in China. The PRC government regulates the provision of education services through strict licensing requirements. We are a company incorporated in the Cayman Islands. Our PRC subsidiary, Rise Tianjin, is a foreign-owned enterprise and is currently ineligible to apply for and hold licenses and permits to operate, or otherwise own sponsorship interests in, our schools. Due to these restrictions, we conduct our junior ELT business in China primarily through contractual arrangements among (1) Rise HK, (2) Rise Tianjin, (3) our consolidated affiliates, including Beijing Step Ahead, its subsidiaries and schools operating self-owned learning centers, and (4) the shareholders of Beijing Step Ahead, namely, Mr. Peng Zhang and Mr. Yiding Sun. We hold the required licenses and permits necessary to conduct our junior ELT business in China through the schools controlled by Beijing Step Ahead. We have been and expect to continue to be dependent on our consolidated affiliates to operate our junior ELT business. See “Corporate History and Structure—Corporate Structure” for more information.

As of the date of this prospectus, similar ownership structure and contractual arrangements have been used by many China-based companies listed overseas, including a number of education companies listed in the United States. To our knowledge, none of the fines or punishments listed above has been imposed on any of these public companies, including companies in the education industry. However, we cannot assure you that such fines or punishments will not be imposed on us or any other companies in the future. If any of the above fines or punishments is imposed on us, our business, financial condition and results of operations could be materially and adversely affected. If any of these penalties results in our inability to direct the activities of Beijing Step Ahead and its subsidiaries and schools that most significantly impact their economic performance, and/or our failure to receive the economic benefits from Beijing Step Ahead and its subsidiaries and schools, we may not be able to consolidate Beijing Step Ahead and its subsidiaries and schools in our financial statements in accordance with U.S. GAAP. However, we do not believe that such actions would result in the liquidation or dissolution of our company, our wholly-owned subsidiaries in China or Beijing Step Ahead or its subsidiaries or schools.

We face uncertainties with respect to the PRC legal system.

The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions in a civil law system may be cited as reference but have limited precedential value. Since 1979, newly introduced PRC laws and regulations have significantly enhanced the protections of interest relating to foreign investments in China. However, since these laws and regulations are relatively new and the PRC legal system continues to evolve rapidly, the interpretations of such laws and regulations may not always be consistent, and enforcement of these laws and regulations involves significant uncertainties, any of which could limit the available legal protections.

In addition, the PRC administrative and judicial authorities have significant discretion in interpreting, implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and judicial proceedings and the level of legal protection we may enjoy in the PRC than under some more developed legal systems. These uncertainties may affect our decisions on the policies and actions to be taken to comply with PRC laws and regulations, and may affect our ability to enforce our

contractual or tort rights. In addition, the regulatory uncertainties may be exploited through unmerited legal actions or threats in an attempt to extract payments or benefits from us. Such uncertainties may therefore increase our operating expenses and costs, and materially and adversely affect our business and results of operations.

Under the PRC Enterprise Income Tax Law, or the EIT Law, we may be classified as a PRC "resident enterprise," which could result in unfavorable tax consequences to us and our non-PRC shareholders.

The PRC enterprise income tax law and its implementing rules provide that enterprises established outside of China whose "de facto management bodies" are located in China are considered "resident enterprises" under PRC tax laws. The implementing rules define the term "de facto management bodies" as a management body which substantially manages, or has control over the business, personnel, finance and assets of an enterprise. On April 22, 2009, the State Administration of Taxation issued Circular 82, which provides that a foreign enterprise controlled by a PRC company or a group of PRC companies will be classified as a "resident enterprise" with its "de facto management body" located within China if all of the following requirements are satisfied: (1) the senior management and core management departments in charge of its daily operations function are mainly in China; (2) its financial and human resources decisions are subject to determination or approval by persons or bodies in China; (3) its major assets, accounting books, company seals, and minutes and files of its board and shareholders' meetings are located or kept in China; and (4) at least half of the enterprise's directors with voting right or senior management reside in China. The State Administration of Taxation issued a bulletin on August 3, 2011 to provide more guidance on the implementation of Circular 82. The bulletin clarifies certain matters relating to resident status determination, post-determination administration and competent tax authorities.

In addition, the State Administration of Taxation issued a bulletin on January 29, 2014 to provide more guidance on the implementation of Circular 82. This bulletin further provides that, among other things, an entity that is classified as a "resident enterprise" in accordance with the circular shall file the application for classifying its status of residential enterprise with the local tax authorities where its main domestic investors are registered. From the year in which the entity is determined to be a "resident enterprise," any dividend, profit and other equity investment gain shall be taxed in accordance with the enterprise income tax law and its implementing rules.

As the tax resident status of an enterprise is subject to the determination by the PRC tax authorities, if we are deemed a PRC "resident enterprise," we will be subject to PRC enterprise income tax on our worldwide income at a uniform tax rate of 25.0%, although dividends distributed to us from our existing PRC subsidiaries and any other PRC subsidiaries which we may establish from time to time could be exempt from the PRC dividend withholding tax due to our PRC "resident recipient" status. This could have a material adverse effect on our overall effective tax rate, our income tax expenses and our net income. Furthermore, dividends, if any, paid to our shareholders and ADS holders may be decreased as a result of the decrease in distributable profits. In addition, if we were to be considered a PRC "resident enterprise," dividends we pay with respect to our ADSs or ordinary shares and the gains realized from the transfer of our ADSs or ordinary shares may be considered income derived from sources within China and be subject to PRC withholding tax, at a rate of 10.0% in the case of non-PRC enterprises or 20.0% in the case of non-PRC individuals, which could have a material adverse effect on the value of your investment in us and the price of our ADSs.

There are significant uncertainties under the EIT Law relating to the withholding tax liabilities of our PRC subsidiaries, and dividends payable by our PRC subsidiaries to our offshore subsidiaries may not qualify to enjoy certain treaty benefits.

Under the PRC enterprise income tax and its implementation rules, the profits of a foreign-invested enterprise generated through operations, which are distributed to its immediate holding company outside China, will be subject to a withholding tax rate of 10.0%. Pursuant to a special arrangement between Hong Kong and China, such rate may be reduced to 5.0% if a Hong Kong resident enterprise owns more than 25.0% of the equity interest in the PRC company. Our current PRC subsidiaries are wholly owned by our Hong Kong subsidiary,

Rise HK. Accordingly, Rise HK may qualify for a 5.0% tax rate in respect of distributions from its PRC subsidiaries. Under the Notice of the State Administration of Taxation on Issues regarding the Administration of the Dividend Provision in Tax Treaties promulgated on February 20, 2009, the taxpayer needs to satisfy certain conditions to enjoy the benefits under a tax treaty. These conditions include: (1) the taxpayer must be the beneficial owner of the relevant dividends, and (2) the corporate shareholder to receive dividends from the PRC subsidiaries must have continuously met the direct ownership thresholds during the 12 consecutive months preceding the receipt of the dividends. Further, the State Administration of Taxation promulgated the Notice on How to Understand and Recognize the "Beneficial Owner" in Tax Treaties on October 27, 2009, which limits the "beneficial owner" to individuals, enterprises or other organizations normally engaged in substantive operations, and sets forth certain detailed factors in determining the "beneficial owner" status.

Entitlement to a lower tax rate on dividends according to tax treaties or arrangements between the PRC central government and governments of other countries or regions is subject to SAT Circular 60 which provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. As a result, we cannot assure you that we will be entitled to any preferential withholding tax rate under tax treaties for dividends received from our PRC subsidiaries.

We may be subject to discontinuation or revocation of any of the preferential tax treatments and government subsidies or imposition of any additional taxes and surcharges.

Rise Tianjin, or the WFOE, was granted certain governmental subsidies in 2016 and these governmental subsidies remain effective as of the date of this prospectus. Pursuant to the letter agreement that we entered into with the local government in Tianjin, the local government agreed to provide us subsidies based on the value-added tax, business tax and enterprise income tax until 2020. Nevertheless, the government agencies may decide to reduce, eliminate or cancel subsidies at any time. We cannot assure you of the continued availability of the government incentives and subsidies currently enjoyed by the WFOE. The discontinuation of these governmental incentives and subsidies could adversely affect our financial condition and results of operations. We face uncertainties with respect to indirect transfers of the equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation on December 10, 2009, where a foreign investor transfers the equity interests in a PRC resident enterprise indirectly via disposition of the equity interests of an overseas holding company, and such overseas holding company is located in a tax jurisdiction that (1) has an effective tax rate less than 12.5% or (2) does not tax foreign income of its residents, the foreign investor shall report the indirect transfer to the competent PRC tax authority. The PRC tax authority will examine the nature of such indirect transfer, and if the tax authority considers that the foreign investor has adopted an "abusive arrangement" in order to reduce, avoid or defer PRC taxes, it may disregard the existence of the overseas holding company and re-characterize the indirect transfer such that gains derived from such indirect transfer may be subject to PRC withholding tax at a rate of up to 10.0%. Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the competent tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. Circular 698 is retroactively effective from January 1, 2008.

There is uncertainty as to the application of Circular 698. For example, while the term "indirect transfer" is not clearly defined, it is understood that the relevant PRC tax authorities have jurisdiction regarding requests for information over a wide range of foreign entities having no direct contact with China. Moreover, the relevant authority has not yet promulgated any formal provisions or formally declared or stated how to calculate the

effective tax rates in foreign tax jurisdictions, and the process and format of the reporting of an Indirect Transfer to the competent tax authority of the relevant PRC resident enterprise remain unclear. In addition, there are no formal declarations with regard to how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax.

The State Administration of Taxation issued Bulletin on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-Resident Enterprises, or Bulletin 7, on February 3, 2015, which replaced or supplemented certain previous rules under Circular 698. Under Bulletin 7, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment in China, immoveable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment, the relevant gain is to be regarded as effectively connected with the PRC establishment and therefore included in its enterprise income tax filing, and would consequently be subject to PRC enterprise income tax at a rate of 25.0%. Where the underlying transfer relates to the immoveable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment of a non-resident enterprise, a PRC enterprise income tax at 10.0% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of Bulletin 7. If Bulletin 7 was determined by the tax authorities to be applicable to some of our transactions involving PRC taxable assets, our offshore subsidiaries conducting the relevant transactions might be required to spend valuable resources to comply with Bulletin 7 or to establish that the relevant transactions should not be taxed under Bulletin 7.

As a result, we and our non-PRC shareholders may have the risk of being taxed for the disposition of our ordinary shares or ADS and may be required to spend valuable resources to comply with Circular 698 and Bulletin 7 or to establish that we or our non-PRC shareholders should not be taxed as an indirect transfer, which may have a material adverse effect on our financial condition and results of operations or the investment by non-PRC investors in us.

Restrictions on currency exchange may limit our ability to receive and use our revenues effectively.

Substantially all of our revenue is denominated in Renminbi. As a result, restrictions on currency exchange may limit our ability to use revenue generated in Renminbi to fund business activities we may have outside China in the future or to make dividend payments to our shareholders and ADS holders in U.S. Dollars. Under current PRC laws and regulations, Renminbi is freely convertible for current account items, such as trade and service-related foreign exchange transactions and dividend distributions. However, Renminbi is not freely convertible for direct investment or loans or investments in securities outside China, unless such use is approved by SAFE. For example, foreign exchange transactions under our subsidiary's capital account, including principal payments in respect of foreign currency-denominated obligations, remain subject to significant foreign exchange controls and the approval requirement of SAFE. These limitations could affect our ability to obtain foreign exchange for capital expenditures.

Our PRC subsidiaries are permitted to declare dividends to our offshore subsidiary holding their equity interest, convert the dividends into a foreign currency and remit to its shareholder outside China. In addition, in the event that our PRC subsidiaries liquidate, proceeds from the liquidation may be converted into foreign currency and distributed outside China to our overseas subsidiary holding its equity interest. Furthermore, in the event that Beijing Step Ahead or any of its subsidiaries liquidates, our PRC subsidiary, Rise Tianjin, may, pursuant to the Proxy Agreement executed by Mr. Peng Zhang and Mr. Yiding Sun, require Beijing Step Ahead or any of its subsidiaries to pay and remit the proceeds from such liquidation to Rise Tianjin. Rise Tianjin then

may distribute such proceeds to us after converting them into foreign currency and remit them outside China in the form of dividends or other distributions. Once remitted outside China, dividends, distributions or other proceeds from liquidation paid to us will not be subject to restrictions under PRC regulations on its further transfer or use.

Other than the above distributions by and through our PRC subsidiaries which are permitted to be made without the necessity to obtain further approvals, any conversion of the Renminbi-denominated revenue generated by our consolidated affiliates for direct investment, loan or investment in securities outside China will be subject to the limitations discussed above. To the extent we need to convert and use any Renminbi-denominated revenue generated by our consolidated affiliates not paid to our PRC subsidiaries and revenues generated by our PRC subsidiaries not declared and paid as dividends, the limitations discussed above will restrict the convertibility of, and our ability to directly receive and use such revenue. As a result, our business and financial condition may be adversely affected. In addition, we cannot assure you that the PRC regulatory authorities will not impose more stringent restrictions on the convertibility of Renminbi in the future, especially with respect to foreign exchange transactions.

We face fluctuations in the value of the Renminbi.

The change in value of the Renminbi against the U.S. Dollar and other currencies is affected by, various factors, such as changes in China's political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. Dollar. Under such policy, the Renminbi was permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. Later on, the People's Bank of China has decided to further implement the reform of the Renminbi exchange regime and to enhance the flexibility of Renminbi exchange rates. Such changes in policy have resulted in a significant appreciation of the Renminbi against the U.S. Dollar since 2005. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which could result in a further and more significant adjustment of the Renminbi against the U.S. Dollar. Any significant appreciation or revaluation of the Renminbi may have a material adverse effect on the value of, and any dividends payable on, our ADSs in foreign currency terms. More specifically, if we decide to convert our Renminbi into U.S. Dollars, appreciation of the U.S. Dollar against the Renminbi would have a negative effect on the U.S. Dollar amount available to us. To the extent that we need to convert U.S. Dollars we receive from our initial public offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. Dollar would have an adverse effect on the Renminbi amount we would receive from the conversion. In addition, appreciation or depreciation in the exchange rate of the Renminbi to the U.S. Dollar could materially and adversely affect the price of our ADSs in U.S. Dollars without giving effect to any underlying change in our business or results of operations.

We may be required to obtain prior approval of CSRC of the listing and trading of our ADSs on the NASDAQ Global Select Market, or Nasdaq.

On August 8, 2006, six PRC regulatory authorities, including MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the State Administration for Industry and Commerce, CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules. This regulation, among other things, requires that the listing and trading on an overseas stock exchange of securities in an offshore special purpose vehicle formed for purposes of holding direct or indirect equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals be approved by CSRC.

While the implementation and interpretation of the M&A Rules remains unclear, we believe, based on the advice of our PRC counsel, that approval by CSRC is not required for this offering. However, we cannot assure you that the relevant PRC regulatory authorities, including CSRC, would reach the same conclusion as our PRC counsel. If CSRC or other PRC regulatory authority subsequently determines that we need to obtain CSRC's approval for this offering, we may face sanctions by CSRC or other PRC regulatory authorities. In such event,

these regulatory authorities may, among other things, impose fines and penalties on or otherwise restrict our operations in China or delay or restrict any remittance of the proceeds from this offering into China. CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to suspend or terminate this offering before settlement and delivery of the ADSs. Any such or other actions taken could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as the trading price of our ADSs.

Certain PRC regulations, including the M&A Rules and national security regulations, may require a complicated review and approval process which could make it difficult for us to pursue growth through acquisitions in China.

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities in China by foreign investors more time-consuming and complex. For example, MOFCOM must be notified in the event a foreign investor takes control of a PRC domestic enterprise. Although the amendment to the M&A Rules in 2016 generally eased the restrictions imposed on merger and acquisition activities, certain acquisitions of domestic companies by offshore companies that are related to or affiliated with the same entities or individuals of the domestic companies, are still subject to approval by MOFCOM.

The Anti-Monopoly Law promulgated by the Standing Committee of the National People's Congress, or NPC, on August 30, 2007 (effective on August 1, 2008) requires certain concentrated transactions or transactions involving parties above specified turnover thresholds to be reported to MOFCOM. On February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Lenders, which officially established a security review system to monitor such transactions. In addition, the Implementing Rules Concerning Security Review on Mergers and Acquisitions by Foreign Investors of Domestic Enterprises, issued by MOFCOM in August 2011, require that mergers and acquisitions by foreign investors in "any industry with national security concerns" be subject to national security review by MOFCOM. In addition, any activities attempting to circumvent such review process, including structuring the transaction through a proxy or contractual control arrangement, are strictly prohibited.

There is significant uncertainty regarding the interpretation and implementation of these regulations relating to merger and acquisition activities in China. In addition, complying with these requirements could be time-consuming, and the required notification, review or approval process may materially delay or affect our ability to complete merger and acquisition transactions in China. As a result, our ability to seek growth through acquisitions may be materially and adversely affected.

PRC regulations relating to foreign exchange registration of overseas investment by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiary to liability or penalties, limit our ability to inject capital into these subsidiaries, limit PRC subsidiary's ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

SAFE has promulgated regulations, including the Notice on Relevant Issues Relating to Foreign Exchange Control on Domestic Residents' Investment and Financing and Round-Trip Investment through Special Purpose Vehicles, or Circular 37, effective on July 4, 2014, and its appendices, that require PRC residents, including PRC institutions and individuals, 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 Circular 37 as a "special purpose vehicle." The term "control" under Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. 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. Further, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion.

These regulations apply to our direct and indirect shareholders who are PRC residents and may apply to any offshore acquisitions or share transfers that we make in the future if our shares are issued to PRC residents. However, in practice, different local SAFE branches may have different views and procedures on the application and implementation of SAFE regulations, and since Circular 37 was recently issued, there remains uncertainty with respect to its implementation. We cannot assure you that any shareholders or beneficial owners of our company who are PRC residents will be able to successfully complete the registration or update the registration of their direct and indirect equity interest as required in the future. If any of them fail to make or update the registration, our PRC subsidiaries could be subject to fines and legal penalties, and SAFE could restrict our cross-border investment activities and our foreign exchange activities, including restricting our PRC subsidiaries' ability to distribute dividends to, or obtain loans denominated in foreign currencies from, our company, or prevent us from contributing additional capital into our PRC subsidiaries. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

We face regulatory uncertainties in China that could restrict our ability to grant share incentive awards to our employees or consultants who are PRC citizens.

Pursuant to the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in a Stock Incentive Plan of an Overseas Publicly-Listed Company issued by SAFE on February 15, 2012, or Circular 7, a qualified PRC agent (which could be the PRC subsidiary of the overseas-listed company) is required to file, on behalf of "domestic individuals" (both PRC residents and non-PRC residents who reside in China for a continuous period of not less than one year, excluding the foreign diplomatic personnel and representatives of international organizations) who are granted shares or share options by the overseas-listed company according to its share incentive plan, an application with SAFE to conduct SAFE registration with respect to such share incentive plan, and obtain approval for an annual allowance with respect to the purchase of foreign exchange in connection with the share purchase or share option exercise. Such PRC individuals' foreign exchange income received from the sale of shares and dividends distributed by the overseas listed company and any other income shall be fully remitted into a collective foreign currency account in China, which is opened and managed by the PRC domestic agent before distribution to such individuals. In addition, such domestic individuals must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options and their purchase and sale of shares. The PRC domestic agent also needs to update registration with SAFE within three months after the overseas-listed company materially changes its share incentive plan or make any new share incentive plans.

When we grant share options to our employees under our ESOP Plan, from time to time, we need to apply for or update our registration with SAFE or its local branches on behalf of our employees or consultants who receive options or other equity-based incentive grants under our share incentive plan or material changes in our share incentive plan. However, we may not always be able to make applications or update our registration on behalf of our employees or consultants who hold any type of share incentive awards in compliance with Circular 7, nor can we ensure you that such applications or update of registration will be successful. If we or the participants of our share incentive plan who are PRC citizens fail to comply with Circular 7, we and/or such participants of our share incentive plan may be subject to fines and legal sanctions, there may be additional restrictions on the ability of such participants to exercise their share options or remit proceeds gained from sale of their shares into China, and we may be prevented from further granting share incentive awards under our share incentive plan to our employees or consultants who are PRC citizens.

Labor contract laws and Social Insurance Law in China may adversely affect our results of operations.

The current PRC labor contract law imposes greater liabilities on employers and significantly affects the cost of an employer's decision to reduce its workforce. Further, it requires certain terminations be based on the mandatory retirement age. In the event we decide to significantly change or decrease our workforce, the Labor Contract Law could adversely affect our ability to enact such changes in a manner that is most advantageous to our business or in a timely and cost-effective manner, thus materially and adversely affecting our financial condition and results of operations.

Failure to make adequate contributions to various employee benefit plans as required by PRC regulations may subject us to penalties.

The PRC economy has been experiencing significant growth, leading to inflation and increased labor costs. China's overall economy and the average wage in China are expected to continue to grow. In addition, we are required by PRC laws and regulations to pay various statutory employee benefits, including pensions, housing fund, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance to designated government agencies for the benefit of our employees. It is subject to the determination of the relevant government agencies whether an employer has made adequate payments of the requisite statutory employee benefits, and employers that fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. Future increases in China's inflation and material increases in labor costs and employee benefits may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to students by increasing tuition.

We face risks related to natural disasters, health epidemics or terrorist attacks in China.

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, tornados and tsunamis, outbreaks of health epidemics such as avian influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the regions in which we operate or those generally affecting China. If any of these occur, our learning centers and facilities may be required to temporarily or permanently close and our business operations may be suspended or terminated. Students, teachers and staff may also be negatively affected by such event. In, addition, any of these could adversely affect the PRC economy and demographics of the affected region, which could cause significant declines in the number of students in that region and could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our ADSs and this Offering

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we are an emerging growth company until the fifth anniversary from the date of our initial listing. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

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

Prior to this offering, there has been no public market for our ADSs or the ordinary shares underlying our ADSs. We have applied for listing our ADSs on the Nasdaq, but we cannot assure you that a liquid public market for our ADSs will develop. If an active public market for our ADSs does not develop following the completion of this offering, the market price and liquidity of our ADSs may be materially and adversely affected. The initial public offering price for our ADSs was determined by negotiation among us and the underwriters based upon several factors, and the trading price of our ADSs after this offering may decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs due to insufficient or a lack of market liquidity of the ADSs.

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

The trading price of our ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, akin to the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. A number of Chinese companies have listed or are in the process of listing their securities on U.S. stock markets. The securities of some of these companies have experienced significant volatility, including price declines in connection with their initial public offerings. The trading performances of these Chinese companies' securities after their offerings may affect the perception and attitudes of investors toward Chinese companies listed in the United States in general and consequently may impact the trading performance of our ADSs, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our ADSs may be highly volatile due to a number of factors, including the following:

- regulatory developments affecting us or our industry, and customers of our education services;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in the market condition, market potential and competition in education services;
- announcements by us or our competitors of new education services, expansions, investments, acquisitions, strategic partnerships or joint ventures;
- fluctuations in global and Chinese economies;
- changes in financial estimates by securities analysts;
- adverse publicity about us;
- additions or departures of our key personnel and senior management;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the volume and price at which our ADSs will trade.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our

results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

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

Sales of substantial amounts of our ADSs in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of our ADSs. In connection with this offering, we and our officers, directors, shareholders and certain option holders have agreed not to sell any ordinary shares or ADSs for 180 days after the date of this prospectus without the prior written consent of the underwriters, subject to certain exceptions. Upon the completion of this offering, we will have 110,000,000 ordinary shares outstanding, all of which are represented by ADSs, assuming the underwriters do not exercise their option to purchase additional ADSs. The ADSs sold in this offering will be freely tradable without restriction or further registration under the Securities Act. The remaining ordinary shares outstanding immediately after this offering will be available for sale, upon the expiration of the 180-day lock-up period, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. In addition, the underwriters may exercise the discretion to release the securities held by the parties subject to the lock-up restriction prior to the expiration of the lock-up period. If the securities subject to lock-up are released before the expiration of the lock-up period, their sale or perceived sale into the market may cause the price of our ADSs to decline. See “Underwriting” and “Shares Eligible for Future Sale” for a more detailed description of the restrictions on selling our securities after this offering.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.

The trading market for our ADSs will depend in part on the research and reports that securities or industry analysts publish about us or our business. If research analysts do not establish and maintain adequate research coverage or if one or more of the analysts who covers us downgrades our ADSs or publishes inaccurate or unfavorable research about our business, the market price for our ADSs would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for our ADSs to decline.

Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of our ADSs for return on your investment.

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

Our board of directors has complete discretion as to whether to distribute dividends, subject to applicable laws. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in our ADSs will likely depend entirely upon any future price appreciation of our ADSs. We cannot guarantee that our ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in our ADSs and you may even lose your entire investment in our ADSs.

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

If you purchase ADSs in this offering, you will pay more for each ADS on a per share basis than the corresponding amount paid by existing shareholders for their ordinary shares. As a result, you will experience immediate and substantial dilution of approximately US$12.50 per ADS. This number represents the difference between our pro forma net tangible book value per ADS as of June 30, 2017, after giving effect to this offering and the assumed initial public offering price of US$13.00 per ADS, which is the mid-point of the estimated range of the initial public offering price shown on the cover page of this prospectus. See "Dilution" for a more complete description of how the value of your investment in our ADSs will be diluted upon the completion of this offering.

We may be a passive foreign investment company for United States federal income tax purposes, which could result in adverse United States federal income tax consequences to United States investors in the ADSs or ordinary shares.

We will be a "passive foreign investment company," or PFIC, if, in the case of any particular taxable year, either (1) 75.0% or more of our gross income for such year consists of certain types of passive income, or (2) 50.0% or more of the average quarterly value of our assets during such year produce or are held for the production of passive income. Although the law in this regard is unclear, we treat our consolidated affiliates as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operation in our financial statements. Assuming that we are the owner of our consolidated affiliates for United States federal income tax purposes, and based upon our current income and assets (taking into account the expected proceeds from this offering) and projections as to the market value of our ADSs immediately following the offering, we do not expect to be a PFIC for the current taxable year or the foreseeable future. If it were determined, however, that we are not the owner of any of our consolidated affiliated entities for United States federal income tax purposes, the composition of our income and assets would change and we may be a PFIC for the current or any subsequent taxable year.

While we do not expect to be a PFIC in the current or future taxable years, the determination of whether we are or will become a PFIC will depend upon the composition of our income (which may differ from our historical results and current projections) and assets and the value of our assets from time to time, including, in particular, the value of our goodwill and other unbooked intangibles (which may depend upon the market value of our ADSs from time-to-time and may be volatile). In estimating the value of our goodwill and other unbooked intangibles, we have taken into account our anticipated market capitalization following the close of this offering. Among other matters, if our market capitalization is less than anticipated or subsequently declines, we may be a PFIC for the current or future taxable years. It is also possible that the Internal Revenue Service may challenge our classification or valuation of our goodwill and other unbooked intangibles, which may result in our company being, or becoming, a PFIC for the current taxable year or future taxable years.

The determination of whether we will be or become a PFIC may also depend, in part, on how, and how quickly, we use our liquid assets and the cash raised in this offering. Under circumstances where we retain significant amounts liquid assets including cash raised in this offering, or if our consolidated affiliates were not treated as owned by us for United States federal income tax purposes, our risk of being a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, we cannot assure you that we will not be a PFIC for the current taxable year or any future taxable year. If we are a PFIC in any taxable year, a United States Holder (as defined in "Taxation—United States Federal Income Tax Considerations") may incur significantly increased United States federal income tax on gain recognized on the sale or other disposition of the ADSs or ordinary shares and on the receipt of distributions on the ADSs or ordinary shares to the extent such gain or distribution is treated as an ''excess distribution'' under the United States federal income tax rules, and such

holders may be subject to burdensome reporting requirements. Further, if we are a PFIC for any year during which a United States Holder holds our ADSs or ordinary shares, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds our ADSs or ordinary shares. For more information, see "Taxation—United States Federal Income Tax Considerations—Passive Foreign Investment Company Rules."

Our memorandum and articles of association that will become effective immediately prior to the completion of this offering contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and ADSs.

We plan to adopt an amended and restated memorandum and articles of association that will become effective immediately prior to the completion of this offering. Our post-offering memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority subject to any resolution of the shareholders to the contrary, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.

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

We are an exempted company incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Cayman Islands Company Law (2016 Revision as amended) and the common law of the Cayman Islands. The rights of shareholders to take action against the directors, actions by minority shareholders and the fiduciary responsibilities of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be 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 than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have standing to initiate a shareholder derivative action in a federal court of the United States. The Cayman Islands courts are also unlikely (1) to recognize or enforce against us judgments of courts of the United States based on certain civil liability provisions of U.S. securities laws, or (2) to impose liabilities against us, in original actions brought in the Cayman Islands, based on certain civil liability provisions of U.S. securities laws that are penal in nature. There is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the courts of the Cayman Islands will in certain circumstances recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

As a result of all of the above, our public shareholders may have more difficulty in protecting their interests in the face of actions taken by management, members of the board of directors or large shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant

differences between the provisions of the Cayman Islands Company Law (2016 Revision as amended) and the laws applicable to companies incorporated in the United States and their shareholders, see "Description of Share Capital—Differences in Corporate Law."

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

We are a Cayman Islands company and all of our assets are located outside of the United States.

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

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

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

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

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year.

In addition, we intend to publish our results on a quarterly basis through press releases, distributed pursuant to the rules and regulations of the Nasdaq. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information, which would be made available to you, were you investing in a U.S. domestic issuer.

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from Nasdaq corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with Nasdaq corporate governance listing standards.

As a Cayman Islands company listed on the Nasdaq, we are subject to Nasdaq corporate governance listing standards. However, the Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from Nasdaq corporate governance listing standards. Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate

records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest. Certain corporate governance practices in the Cayman Islands, which is our home country, differ significantly from requirements for companies incorporated in other jurisdictions such as the United States. To the extent we choose to follow home country practice with respect to corporate governance matters, our shareholders may be afforded less protection than they otherwise would under rules and regulations applicable to U.S. domestic issuers.

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

As a holder of our ADSs, you will only be able to exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under the deposit agreement, you must vote by giving voting instructions to the depositary. Upon receipt of your voting instructions, the depositary will vote the underlying ordinary shares in accordance with these instructions. You will not be able to directly exercise your right to vote with respect to the underlying shares unless you withdraw the shares. Under our amended and restated memorandum and articles of association that will become effective immediately upon completion of this offering, the minimum notice period required for convening a general meeting is 10 days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to vote and you may have no legal remedy if the shares underlying your ADSs are not voted as you requested.

The depositary for our ADSs will give us a discretionary proxy to vote our ordinary shares underlying your ADSs if you do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect your interests and the ability of our shareholders as a group to influence the management of our company.

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

- we have failed to timely provide the depositary with notice of meeting and related voting materials;
- we have instructed the depositary that we do not wish a discretionary proxy to be given;
- we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting; or
- a matter to be voted on at the meeting would have a material adverse impact on shareholders.

The effect of this discretionary proxy is that if you do not vote at shareholders' meetings, you cannot prevent our ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may make it more difficult for shareholders to influence the management of our company. Holders of our ordinary shares are not subject to this discretionary proxy.

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

The depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities underlying our ADSs, after deducting its fees

and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any ADSs, ordinary shares, rights or other securities received through such distributions. We also have no 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 distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

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

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities.

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

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its books at any time or from time to time when it deems expedient in connection with the performance of its duties. The depositary may close its books from time to time for a number of reasons, including in connection with corporate events such as a rights offering, during which time the depositary needs to maintain an exact number of ADS holders on its books for a specified period. The depositary may also close its books in emergencies, and on weekends and public holidays. The depositary may refuse to deliver, transfer or register transfers of our ADSs generally when our share register or the books of the depositary are closed, or at any time if we or the depositary thinks it is advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

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

Upon completion of this offering, we will become a public company and expect to incur significant accounting, legal and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the Nasdaq, have detailed requirements concerning corporate governance practices of public companies, including Section 404 of the Sarbanes-Oxley Act of 2002 relating to internal controls over financial reporting. We expect these rules and regulations applicable to public companies to increase our accounting, legal and financial compliance costs and to make certain corporate activities more time-consuming and costly. Our management will be required to devote substantial time and attention to our public company reporting obligations and other compliance matters. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs. Our reporting and other compliance

obligations as a public company may place a strain on our management, operational and financial resources and systems for the foreseeable future.

In the past, shareholders of a public company often brought securities class action suits against the company following periods of instability in the market price of that company's securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations, which could harm our results of operations and require us to incur significant expenses to defend the suit. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS AND INDUSTRY DATA

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of current or historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, including those listed under "Risk Factors," that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

In some cases, you can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "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 statements about:

- our goals and strategies;
- our ability to retain and increase our student enrollment;
- our ability to offer new courses and develop supplementary course materials;
- our ability to engage, train and retain new teachers;
- our future business development, financial condition and results of operations;
- the expected growth in, market size of and trends in the markets for our course offerings in China;
- expected changes in our revenues, costs or expenditures;
- our expectations for demand for and market acceptance of our brand;
- our expectations for the use of proceeds from this offering;
- growth of and trends of competition in the junior ELT market in China;
- government policies and regulations relating to our corporate structure, business and industry; and
- general economic and business conditions in China.

You should read this prospectus and the documents that we refer to in this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this prospectus 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. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. You should read this prospectus and the documents that we refer to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

This prospectus also contains statistical data and estimates that we obtained from industry publications and reports generated by government or third-party providers of market intelligence. Although we have not

independently verified the data, we believe that the publications and reports are reliable. See “Risk Factors—Risks Related to Our ADSs and this Offering—If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, the market price for our ADSs and trading volume could decline.”

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$50.5 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us, including all of the underwriting discounts and commissions of the selling shareholders. These estimates are based upon an assumed initial offering price of US$13.00 per ADS, the mid-point of the estimated range of the initial public offering price shown on the front cover page of this prospectus. A US$1.00 change in the assumed initial public offering price of US$13.00 per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease the net proceeds of this offering by US$4.2 million, under these assumptions. We will not receive any of the proceeds from the sale of ADSs by the selling shareholders

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

- US$30.0 million for repayment in full of a short-term facility;
- approximately US$8.0 million for business development, including business expansion through potential acquisitions;
- approximately US$8.0 million for investment in product development; and
- the remainder for working capital and other general corporate purposes.

The terms of our US$30 million short-term facility require us to repay it in full within ten business days of the completion of this offering. The proceeds of this short-term facility were used to pay a portion of a US$87.0 million dividend to our shareholders in September 2017. For details of this loan facility, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Flows and Working Capital—Long-term loan.” No portion of the proceeds will be used to make payments to our affiliates. The amounts and timing of any expenditures will vary depending on the amount of cash generated by our operations, and the rate of growth, if any, of our business, and our plans and business conditions. The foregoing represents our current intentions based upon our present plans and business conditions to use and allocate the net proceeds of this offering. Our management will have significant flexibility in applying and discretion to apply the net proceeds of the offering. If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries through loans or capital contributions, subject to applicable regulatory approvals. We currently cannot make loans or capital contributions to our PRC subsidiary, Rise Tianjin, without first obtaining regulatory approvals, and if we decide to use the proceeds from this offering within the PRC, we cannot assure you that we will be able to obtain these regulatory approvals on a timely basis, if at all. See “Risk Factors—Risks Related to Our Corporate Structure—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries and consolidated affiliates, which could materially and adversely affect our liquidity and our ability to fund and expand our business.” However, we do not plan to use the proceeds from this offering to provide funding to Rise Tianjin or to our VIE, its subsidiaries or schools and the uses specified above can generally be accomplished without transferring funds into the PRC. Moreover, we believe the current cash reserves held by Rise Tianjin, our VIE and its subsidiaries and schools, combined with the cash generated from their operating activities, will be sufficient for our operating and expansion needs within the PRC over the foreseeable future.

DIVIDEND POLICY

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this offering. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

In September 2017, we paid cash dividends totaling US$87.0 million to our shareholders. Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying our ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary then will pay such amounts to the ADS holders who will receive payment to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See “Description of American Depositary Shares.” Cash dividends on our ordinary shares, if any, will be paid in U.S. Dollars.

We are a holding company incorporated in the Cayman Islands. For our cash requirements, including any payment of dividends to our shareholders, we rely on dividends distributed by our subsidiaries in Hong Kong, Cayman Islands and the PRC. PRC regulations may restrict the ability of our PRC subsidiary to pay dividends to us. For example, dividend distributions from our PRC subsidiary to us are subject to PRC taxes, including withholding tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. See “Risk Factors—Risks Related to our Corporate Structure—We rely on dividends, fees and other distributions paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could hinder our ability to conduct our business.”

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2017:

- on an actual basis;
- on a pro forma basis to reflect (i) the drawdown of US$110.0 million under a loan facility agreement amended and restated in September 2017 and (ii) our payment of cash dividends of US$87.0 million to our shareholders in September 2017; and
- on a pro forma as adjusted basis to reflect (i) the drawdown of US$110.0 million under a loan facility agreement amended and restated in September 2017, (ii) our payment of cash dividends of US$87.0 million to our shareholders in September 2017 and (iii) the issuance and sale of 5,000,000 ADSs representing 10,000,000 ordinary shares by us in this offering at an assumed initial public offering price of US$13.00 per ADS, the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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

	As of June 30, 2017					
	Actual		Pro Forma(1)(2)		Pro Forma as adjusted(2)(3)	
	RMB	US$	RMB	US$	RMB	US$
	(thousands, except for share and per share data)					
Long-term loan	327,270	48,275	745,723	110,000	745,723	110,000
Shareholders' Equity:						
Ordinary shares (US$0.01 par value; 200,000,000 shares authorized, 100,000,000 shares issued and outstanding on an actual basis and 110,000,000 shares issued and outstanding on a pro forma basis)	6,120	903	6,120	903	6,798	1,003
Additional paid-in capital	452,369	66,728	—	—	399,872	58,984
Statutory reserves	32,511	4,796	32,511	4,796	32,511	4,796
Accumulated deficit	(74,176)	(10,942)	(211,606)	(31,214)	(211,606)	(31,214)
Accumulated other comprehensive income	46,770	6,899	46,770	6,899	46,770	6,899
Total RISE Education Cayman Ltd shareholders' equity/(deficit)	463,594	68,384	(126,205)	(18,616)	274,345	40,468
Non-controlling interests	(11,034)	(1,628)	(11,034)	(1,628)	(11,034)	(1,628)
Total equity/(deficit)	452,560	66,756	(137,239)	(20,244)	263,311	38,840
Total capitalization(4)	779,830	115,031	608,484	89,756	1,009,034	148,840

(1) In July 2016, we entered into a loan facility agreement with CTBC Bank Co. Ltd., as the lender, which was amended and restated in September 2017 to include a short-term facility of US$30.0 million and a long-term facility of US$110.0 million. Pursuant to the terms of the loan facility agreement, we will repay the short-term facility in full within ten business days of the completion of this offering. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Cash Flows and Working Capital—Long-term loan."

(2) The pro forma and pro forma as adjusted information discussed above is illustrative only. Our additional paid-in capital, total shareholders' equity and total capitalization following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing.

(3) A US$1.00 increase (decrease) in the assumed initial public offering price of US$13.00 per ADS, the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus, would increase (decrease) each of additional paid-in capital, total equity and total capitalization by US$4.65 million, assuming the number of ADSs offered by us, as set forth on the front cover of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

(4) Total capitalization means long-term loan plus total equity.

DILUTION

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

Our net tangible book value as of June 30, 2017 was approximately US$(31.9) million, or US$(0.32) per ordinary share and US$(0.64) per ADS. Net tangible book value per ordinary share represents the amount of total consolidated assets, minus the amounts of intangible assets, goodwill and total liabilities, divided by the total number of ordinary shares outstanding. Dilution is determined by subtracting pro forma net tangible book value per ordinary share, after giving effect to the additional proceeds we will receive from this offering, from the assumed initial public offering price per ordinary share.

Without taking into account any other changes in such net tangible book value after June 30, 2017, other than to give effect to the issuance and sale of 5,000,000 ADSs in this offering at an assumed initial public offering price of US$13.00 per ADS, the mid-point of the estimated range of the initial public offering price shown on the front cover of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us and assuming the underwriters' option to purchase additional ADSs is not exercised, our pro forma net tangible book value as of June 30, 2017 would have been US$0.25 per outstanding ordinary share, including ordinary shares underlying our outstanding ADSs, or US$0.50 per ADS. This represents an immediate increase in net tangible book value of US$0.57 per ordinary share, or US$1.14 per ADS, to existing shareholders and an immediate dilution in net tangible book value of US$6.25 per ordinary share, or US$12.50 per ADS, to investors purchasing ADSs in this offering. The pro forma information discussed above is illustrative only. The following table illustrates such dilution:

	Per Ordinary Share	Per ADS
Assumed initial public offering price	US$ 6.50	US$13.00
Actual net tangible book value as of June 30, 2017	US$ (0.32)	US$ (0.64)
Pro forma net tangible book value per share after giving effect to this offering	US$ 0.25	US$ 0.50
Amount of dilution in net tangible book value to new investors in the offering	US$ 6.25	US$12.50

A US$1.00 change in the assumed public offering price of US$13.00 per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease our pro forma net tangible book value as described above by US$4.65 million, the pro forma net tangible book value per ordinary share and per ADS by US$0.04 per ordinary share and by US$0.08 per ADS, and the dilution per ordinary share and per ADS to new investors in this offering by US$0.46 per ordinary share and US$0.92 per ADS, respectively, assuming no change to the number of ADSs offered by us as set forth on the front cover of this prospectus, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of the ADSs and other terms of this offering determined at pricing.

The following table summarizes, on a pro forma basis as of June 30, 2017, the differences between the existing shareholders as of June 30, 2017 and the new investors with respect to the number of ordinary shares (in the form of ADSs or ordinary shares) purchased from us in this offering, the total consideration paid and the average price per ordinary share paid and per ADS at an assumed initial public offering price of US$13.00 per ADS before deducting underwriting discounts and commissions and estimated offering expenses payable by us. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon exercise of the option to purchase additional ADSs which one of the selling shareholders granted to the underwriters.

	Ordinary Shares Purchased		Total Consideration		Average Price per Ordinary Share	Average Price per ADS
	Number	Percent	Amount	Percent		
	(US$, except for share numbers and percentages)					
Existing shareholders	100,000,000	91%	67,631,000	51%	0.68	1.36
New investors	10,000,000	9%	65,000,000	49%	6.50	13.00
Total	110,000,000	100%	132,631,000	100%		

To the extent any of these awards are exercised or vested, there will be further dilution to new investors.

EXCHANGE RATE INFORMATION

We conduct substantially all of our operations in the PRC. Substantially all of our revenues, cost of revenues and operating expenses are denominated in Renminbi. This prospectus contains translations of certain Renminbi amounts into U.S. Dollars at specified rate, which is based on the rate certified for customs purposes by the Federal Reserve Bank of New York, for the convenience of the reader. Unless otherwise stated, all translations from Renminbi to U.S. Dollars have been made at the rate of RMB6.7793 to US$1.00, being the noon buying rate in effect as of June 30, 2017. We make no representation that the Renminbi or U.S. Dollar amounts referred to in this prospectus could have been, or could be, converted into U.S. Dollars, Renminbi, as the case may be, at any particular rate or at all. The PRC government imposes controls over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On September 29, 2017, the noon buying rate were RMB6.6533 to US$1.00.

The following table sets forth information concerning the rates of exchange of US$1.00 into RMB for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you.

	Noon Buying Rate			
	Period End	Average(1)	Low	High
	(RMB per US$1.00)			
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016	6.9430	6.6549	6.9430	6.4480
2017				
March 2017	6.8832	6.8940	6.9132	6.8687
April 2017	6.8900	6.8876	6.8988	6.8778
May 2017	6.8098	6.8843	6.9060	6.8098
June 2017	6.7793	6.8066	6.8382	6.7793
July 2017	6.7240	6.7694	6.8039	6.7240
August	6.5888	6.6667	6.7272	6.5888
September	6.6533	6.5690	6.6591	6.4773

(1) Annual averages were calculated by using the average of the exchange rates on the last day of each month during the relevant year. Monthly averages are calculated by using the average of the daily rates during the relevant month.

ENFORCEABILITY OF CIVIL LIABILITIES

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. We are incorporated in the Cayman Islands because of certain benefits associated with being a Cayman Islands company, such as political and economic stability, an effective judicial system, a favorable tax system, the absence of foreign exchange control or currency restrictions and the availability of professional and support services. However, the Cayman Islands has a less developed body of securities laws as compared to the United States and provides less protection for investors. In addition, Cayman Islands companies do not have standing to sue before the federal courts of the United States.

Our constitutional documents do not contain provisions requiring that disputes, including those arising under the securities laws of the United States, between us, our executive officers, directors and shareholders, be subject to arbitration.

All of our operations are conducted in China, and substantially all of our assets are located in China. Among our directors and officers, only Mr. David Benjamin Gross-Loh is a U.S. national, and all of our other directors and officers are Chinese nationals or Hong Kong residents and a substantial portion of their assets are located outside the United States. As a result, it may be difficult or impossible for you to effect service of process within the United States upon us or these persons, or to enforce judgments obtained in U.S. courts against us or them, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our executive officers and directors.

We have appointed Cogency Global Inc. as our agent to receive service of process with respect to any action brought against us in the U.S. District Court for the Southern District of New York in connection with this offering under the federal securities laws of the United States or of any State in the United States or any action brought against us in the Supreme Court of the State of New York in the County of New York in connection with this offering under the securities laws of the State of New York.

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, and Haiwen & Partners, our counsel as to PRC law, have advised us that there is uncertainty as to whether the courts of the Cayman Islands or the PRC would, respectively, (i) recognize or enforce judgments of U.S. courts obtained against us or our directors or executive officers that are predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States, or (ii) entertain original actions brought in the Cayman Islands or the PRC against us or our directors or executive officers that are predicated upon the securities laws of the United States or any state in the United States. Furthermore, Maples and Calder (Hong Kong) LLP and Haiwen & Partners have advised us that, as of the date of this prospectus, no treaty or other form of reciprocity exists between the Cayman Islands and China governing the recognition and enforcement of judgments.

Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law, has advised us further that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States (and the Cayman Islands are not a party to any treaties for the reciprocal enforcement or recognition of such judgments), a judgment obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment (a) is given by a competent foreign court with jurisdiction to give the judgment, (b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given, (c) is final and conclusive, (d) is not in respect of taxes, a fine or a penalty; and (e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands. However, the Cayman Islands courts are unlikely to enforce a judgment obtained from the U.S. courts under civil liability provisions of the U.S. federal securities law if such judgment is determined by the courts of the Cayman Islands to give rise to obligations to make payments that are penal or punitive in nature. Because

such a determination has not yet been made by a court of the Cayman Islands, it is uncertain whether such civil liability judgments from U.S. courts would be enforceable in the Cayman Islands.

Haiwen & Partners, our counsel as to PRC law, has advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law. The PRC courts may recognize and enforce foreign judgments in accordance with the requirements under the PRC laws relating to the enforcement of civil liability, including the PRC Civil Procedure Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. Haiwen & Partners has advised us further that under the PRC law, courts in the PRC will not recognize or enforce a foreign judgment against us or our directors and executive officers if they decide that the judgment violates the basic principles of the PRC law or national sovereignty, security or social public interest. As there exists no treaty or other form of reciprocity between China and the United States governing the recognition and enforcement of judgments as of the date of this prospectus, including those predicated upon the liability provisions of the United States federal securities laws, there is uncertainty whether and on what basis a PRC court would enforce judgments rendered by United States courts. In addition, because there is no treaty or other form of reciprocity between the Cayman Islands and China governing the recognition and enforcement of judgments as of the date of this prospectus, there is further uncertainty as to whether and on what basis a PRC court would enforce judgments rendered by a Cayman Islands court.

CORPORATE HISTORY AND STRUCTURE

Corporate History

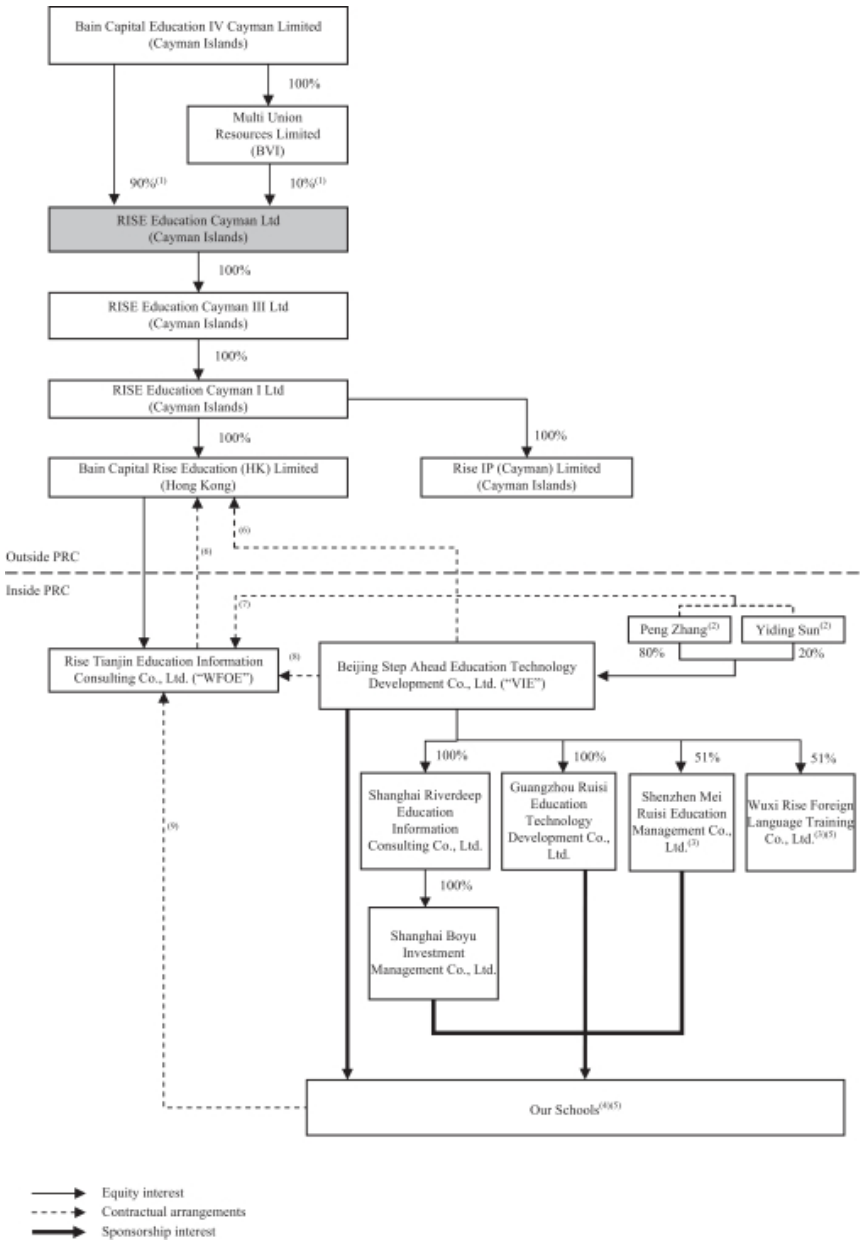
RISE Education Cayman Ltd is a holding company without substantive operations and we conduct our operations through PRC entities, including our variable interest entity, or VIE, and its subsidiaries and schools. Our first self-owned learning center opened in Beijing in October 2007. Over the last ten years, we have expanded our network of learning centers across China, including Shanghai in March 2010, Guangzhou in September 2012, Wuxi in June 2013 and Shenzhen in May 2014. As of June 30, 2017, we had 246 learning centers across 80 cities throughout China, including 56 self-owned learning centers operated by us and 190 franchised learning centers operated by our franchise partners through franchise arrangements.

In July 2013, Bain Capital Rise Education II Cayman Limited, or RISE Education, our current holding company, was incorporated as an exempted company under the laws of the Cayman Islands, and it was renamed as RISE Education Cayman Ltd in June 2017.

In July 2013, Rise IP (Cayman) Limited, or Rise IP, was incorporated as an exempted company under the laws of the Cayman Islands. Subsequently, a number of our wholly owned subsidiaries were established to acquire Rise IP and certain operating assets and entered a series of contractual arrangements with Beijing Step Ahead Education Technology Development Co., Ltd., or Beijing Step Ahead or our VIE, its schools and its shareholders. As a result, the VIE and its subsidiaries and schools have become our consolidated affiliates. See “—Contractual Arrangements among Our VIE, Its Schools, Its Shareholders and Us”.

Corporate Structure

We conduct our businesses through our subsidiaries and our VIE and its subsidiaries and schools. The chart below summarizes our corporate structure and identifies the principal subsidiaries and consolidated affiliates described above and the places of incorporation as of the date of this prospectus:



(1) Following the completion of this offering, Bain Capital Rise Education IV Cayman Limited, Multi Union Resources Limited and public shareholders will beneficially own 80.0%, nil and 20.0% of our total ordinary shares, respectively. See "Principal and Selling Shareholder."
(2) Mr. Peng Zhang, an employee of an affiliate of our principal shareholder, Bain Capital Rise Education IV Cayman Limited, and Mr. Yiding Sun, our chief executive officer and director, holding 80% and 20% of the VIE's equity interests, respectively.
(3) The remaining 49% equity interests are owned by an unrelated third party.
(4) Under PRC law, entities and individuals who establish and maintain ownership interests in private schools are referred to as "sponsors." The rights of sponsors vis-à-vis private schools are similar to those of shareholders vis-à-vis companies with regard to legal, regulatory and tax matters, but differ with regard to the rights to receive returns on investment and the distribution of residual properties upon termination and liquidation. As of June 30, 2017, we had established 16 private schools in China to operate our network of self-owned learning centers. For more information regarding school sponsorship and the difference between sponsorship and ownership under relevant laws and regulations, see "Regulation—The Law for Promoting Private Education and Its Implementation Rules."
(5) Learning centers are not legal entities under PRC law. As of June 30, 2017, we had 56 self-owned learning centers across China, 54 of which were operated by the 16 schools for which we are the sponsor and two of which was operated by Wuxi Rise Foreign Language Training Co., Ltd., a non-school enterprise.
(6) Consulting Services Agreements
(7) Loan Agreements, Proxy Agreement, Call Option Agreement, Equity Pledge Agreement and Business Cooperation Agreement
(8) Proxy Agreement, Business Cooperation Agreement, Service Agreement, Call Option Agreement and Equity Pledge Agreement
(9) License Agreements and Comprehensive Services Agreements

Contractual Arrangements among Our VIE, Its Schools, Its Shareholders and Us

Due to PRC legal restrictions on foreign investment in and ownership of entities engaged in the education industry, we operate our business through our VIE and its subsidiaries and schools. PRC laws and regulations currently require any foreign entity that invests in the education industry in China to be an educational institution with relevant experience in providing educational services outside of China. Our offshore holding companies are not educational institutions and do not provide educational services outside China. Accordingly, our offshore holding companies are not allowed to directly engage in the education industry in China. To comply with PRC laws and regulations, we have entered into a series of contractual arrangements with our VIE and its schools and its shareholders, through which we are able to consolidate the financial results of our VIE and its subsidiaries and schools. These contractual arrangements allow us to:

- exercise effective control over our VIE and its subsidiaries and schools;
- receive substantially all of the economic benefits of our VIE and its subsidiaries and schools; and
- have a call option to purchase all or part of the equity interests in our VIE when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we are the primary beneficiary of our VIE and its subsidiaries and schools and have consolidated their financial results in our consolidated financial statements in accordance with U.S. GAAP. However, these contractual arrangements may not be as effective in providing operational control as direct ownership and the use of the contractual arrangements exposes us to certain risks. For example, Beijing Step Ahead, its schools or its shareholders may breach the contractual arrangements with us. In such cases, we would have to rely on legal remedies under PRC law, which may not always be effective, particularly in light of uncertainties in the PRC legal system. See "Risk Factors—Risks Related to Our Corporate Structure."

If our PRC affiliated entities, Mr. Peng Zhang or Mr. Yiding Sun fail to perform their obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us

effective control over our affiliated entities. See "Risk Factors—Risks Related to Our Corporate Structure—We rely on contractual arrangements with our consolidated affiliates and the shareholders of Beijing Step Ahead for our operations in China, which may not be as effective in providing control as direct ownership." If we are unable to maintain effective control over our affiliated entities, we will not be able to continue consolidating the financial results of our affiliated entities into our financial results. In 2014, 2015, 2016 and the six months ended June 30, 2017, our consolidated affiliates contributed 97%, 95%, 95%, and 95%, respectively, of our total revenues. Further, we rely on dividends and other distributions paid to us by our offshore and PRC subsidiaries, which in turn depends on the service or royalty fees paid from our VIE, its subsidiaries and schools in the PRC. In practice, we evaluate on a case-by-case basis the performance and future plans of our VIE and schools before determining the amount of fees we will collect from them. We do not have unfettered access to the revenues from our PRC subsidiaries or affiliated entities due to the significant legal restrictions on the payment of dividends by PRC companies, foreign exchange control restrictions, and restrictions on foreign investment, among others. See "Risk Factors—We rely on dividends, fees and other distributions paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could hinder our ability to conduct our business."

The following is a summary of the currently effective contractual arrangements by and among us, Beijing Step Ahead, its schools and its shareholders, namely Mr. Peng Zhang and Mr. Yiding Sun.

Agreements that provide us with effective control over the VIE

Loan agreements

The current shareholders of the VIE, Mr. Peng Zhang and Mr. Yiding Sun, acquired their respective equity interests in the VIE from its former shareholders in November 2016 and June 2017, respectively. In order to ensure that the VIE's shareholders are able to provide capital for the share acquisitions, we have entered into loan agreements with each of them. Pursuant to the loan agreements, we have granted a loan to each of them that may only be used for the purpose of acquiring their respective equity interest in the VIE or paying relevant taxes. Unless otherwise agreed by us, the loans may be repaid only by the shareholders transferring all of their respective equity interests in the VIE to us or our designee upon our exercise of the options under the call option agreement. The loan agreements also prohibit the shareholders from assigning or transferring to any third party, or from creating or causing any security interest to be created on, any part of their respective equity interests in the VIE without our prior consent. In the event that the shareholders sell their equity interests to us or our designee at a price which is equal to or lower than the principal amount of the loan, the loan will be interest-free. If the price is higher than the principal amount of the loans, the excess amount will be deemed to be interest on the loans payable by the shareholders to us. The loan has a term of ten years and the WFOE has sole discretion to extend the loan upon expiry.

Proxy agreement

In order to ensure that we are able to make all of the decisions concerning the VIE, we have entered into a proxy agreement with the shareholders of the VIE. Pursuant to the proxy agreement, each of its shareholders has irrevocably appointed us as such shareholder's attorney-in-fact to act for all matters pertaining to such shareholder's shares in the VIE and to exercise all of their rights as shareholders, including but not limited to attending and voting at shareholders' meetings. As such, we have the sole rights to designate and appoint directors and senior management members of the VIE. The proxy agreement will remain in effect until the respective shareholder ceases to hold any equity interest in the VIE.

Equity pledge agreement

In order to secure the performance of the VIE and its shareholders under the contractual arrangements, each shareholder of the VIE has undertaken to pledge all of their shares in the VIE to us. As of the date of this

prospectus, the share pledge has not been registered with local PRC authorities. If the VIE or any of its shareholders breaches or defaults under any of the contractual arrangements, we have the right to require the transfer of the pledged equity interests in the VIE to us or our designee, to the extent permitted by laws, or require a sale of the pledged equity interest and have priority in any proceeds from the auction or sale of such pledged interests. Moreover, we have the right to collect any and all dividends in respect of the pledged equity interests during the term of the pledge. Unless the VIE and its shareholders have fully performed all of their obligations in accordance with the contractual arrangements and all debts have been fully paid by them to us, the equity pledge agreement will continue to remain in effect.

Business cooperation agreement

Under this agreement, absent a prior written consent from the WFOE, the VIE may not itself or cause its subsidiaries or schools to sell, purchase, pledge or dispose of any assets, conduct any borrowings, or perform any transactions or activities that may cause a material effect on its assets, business and operations. In addition, the VIE agrees to follow the WFOE's instructions in its appointment and removal of directors and supervisors, and to cause its subsidiaries to engage candidates recommended by the WFOE as chief executives or principals. Moreover, if the VIE, its subsidiaries or schools desires a guarantee, it must first seek a guarantee from the WFOE. Only if the WFOE rejects or does not respond to its request within fifteen days can the VIE, its subsidiaries or schools, as applicable, seek a guarantee from a third party. If the WFOE agrees to provide a guarantee, it is entitled to a counter-guarantee, security or pledge from the VIE, its subsidiaries or schools, as applicable.

In addition, the VIE is entitled to pay a service fee to the WFOE, the amount of which is equal to its total revenue less any necessary costs, taxes and expenses. The WFOE has discretion to adjust and decide the amount to be paid by the VIE to the WFOE from time to time.

The initial term of this agreement is ten years, which will be automatically extended for another ten years unless otherwise notified by the WFOE.

All of the contractual arrangements as described above will be terminated once the respective shareholder has transferred all of such shareholder's equity interests in the VIE to us or our designee.

Agreements that enable us to receive economic benefits from our VIE and its subsidiaries and schools

In order to ensure that we receive the economic benefits of our VIE and its subsidiaries and schools, we have entered into a series of agreements with the VIE and schools. Under these agreements, we are entitled to substantially all of the economic benefits of our VIE and its subsidiaries and schools.

Business cooperation agreement

See "—Agreements that provide us with effective control over the VIE" for key terms and conditions.

Consulting services agreements

Rise HK has entered into a consulting agreement with each of the WFOE and the VIE, under which Rise HK provides technical and business support services to the WFOE or the VIE, including development of the annual teaching plans and courseware, reviewing the academic department's implementation plans and budgets, evaluating the development results, and making decisions to carry out the newly-developed teaching plans and courseware. In return, each of the WFOE and the VIE agrees to pay a service fee to Rise HK. The initial term of this agreement is five years, which will renew for another five years automatically unless one party does not consent.

Service agreement

The WFOE has entered into a service agreement with the VIE, under which the WFOE provides certain services to the VIE, including designing of teaching plans, licensed use of the business management system developed by the WFOE and sale of textbooks and training materials to our franchise partners who signed the franchise agreements with the VIE. In return, the VIE is required to pay certain service fees to the WFOE. The initial term of this agreement is five years, which will renew for another five years automatically unless the parties terminate this agreement in writing.

License agreements and comprehensive services agreements

The WFOE has entered into a license agreement and a comprehensive service agreement with each of the schools under the VIE pursuant to which the WFOE provides certain services to these schools, including design of teaching plans, licensed use of the business management system developed by the WFOE, market promotion and operation support, as well as authorizing these schools to use our courseware and schools. In return, each of the schools is required to pay certain service royalties and fees to the WFOE. The initial term of each of these agreements is five years, which will renew for another five years automatically unless the parties terminate this agreement in writing.

Agreement that provides us with the option to purchase the equity interests in Beijing Step Ahead

Call option agreement

In order to ensure that we are able to acquire all of the equity interests in the VIE at our discretion, we have entered into a call option agreement with the shareholders of the VIE. The option is exercisable by us at any time, provided that doing so is not prohibited by law. The exercise price under the option is the minimum amount required by law and any proceeds obtained by the respective shareholders through the transfer of their equity interests in the VIE shall be used for the repayment of the loans provided by us in accordance with the loan agreements. During the terms of the call option agreement, the shareholders will not grant a similar right or transfer any of the equity interests in the VIE to any party other than us or our designee, nor will such shareholder pledge, create or permit any security interest or similar encumbrance to be created on any of the equity interests. According to the call option agreement, the VIE cannot declare any profit distributions in any form without our prior consent. The call option agreement will remain in effect until the respective shareholder has transferred all of such shareholder's equity interests in the VIE to us or our designee.

Haiwen & Partners, our counsel as to PRC law is of the view that the contractual arrangements among Rise HK, the WFOE, the VIE and its schools and shareholders are governed by the laws of the PRC, currently in effect, and immediately after giving effect to this offering, are valid, binding and enforceable in accordance with their terms and applicable laws, regulations or rules currently in effect in the PRC, and do not result in any violation of such laws, regulations or rules currently in effect. However, Haiwen & Partners has also advised us that there are substantial uncertainties regarding the interpretation and application of applicable laws, regulations or rules currently in effect in the PRC, and the PRC regulatory authorities and PRC courts may in the future take a view that is contrary to the opinion of our counsel as to PRC law. Moreover, if the VIE, its subsidiaries and schools or its shareholders fail to perform their obligations under the contractual arrangements, we may have to incur substantial costs and expend resources to enforce our rights as the primary beneficiary under these agreements. See "Risks Factors—Risks Related to Our Corporate Structure."

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated statements of income data for the years ended December 31, 2014, 2015 and 2016 and selected consolidated balance sheet data as of December 31, 2015 and 2016 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The following summary consolidated statements of income data for the six months ended June 30, 2016 and 2017 and summary consolidated balance sheet data as of June 30, 2017 have been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP. Our historical results are not necessarily indicative of results expected for future periods. You should read this "Selected Consolidated Financial Data" section together with our consolidated financial statements and the related notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included elsewhere in this prospectus.

	For the Year Ended December 31,				Six Months Ended June 30,		
	2014	2015	2016		2016	2017	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(thousands, except for percentages, share and per share data)						
Selected Consolidated Statements of Income Data:							
Revenues:							
Educational programs	349,398	451,411	618,326	91,208	274,278	377,759	55,723
Franchise revenues	52,063	60,793	63,532	9,371	32,151	52,025	7,674
Others	5,244	17,265	29,135	4,298	8,617	7,316	1,079
Total revenues	406,705	529,469	710,993	104,877	315,046	437,100	64,476
Cost of revenues	(295,097)	(346,671)	(363,579)	(53,631)	(169,737)	(196,079)	(28,924)
Gross profit	111,608	182,798	347,414	51,246	145,309	241,021	35,552
Operating expenses:							
Selling and marketing	(74,368)	(96,688)	(128,475)	(18,951)	(53,722)	(71,243)	(10,509)
General and administrative	(122,791)	(135,603)	(148,093)	(21,845)	(68,311)	(84,921)	(12,526)
Total operating expenses	(197,159)	(232,291)	(276,568)	(40,796)	(122,033)	(156,164)	(23,035)
Operating (loss)/income	(85,551)	(49,493)	70,846	10,450	23,276	84,857	12,517
Interest income	7,150	17,853	16,622	2,452	6,053	9,438	1,392
Interest expense	—	—	(6,073)	(896)	—	(9,907)	(1,461)
Foreign currency exchange loss	(27)	(1,473)	(2,741)	(404)	(1,188)	198	29
Other income, net	74	253	4,391	648	(40)	(136)	(20)
(Loss)/income before income tax expense	(78,354)	(32,860)	83,045	12,250	28,101	84,450	12,457
Income tax benefit/(expense)	5,685	1,119	(32,202)	(4,750)	(9,842)	(26,623)	(3,927)
Net (loss)/income	(72,669)	(31,741)	50,843	7,500	18,259	57,827	8,530
Add: Net loss attributable to non-controlling interests	7,497	5,456	3,080	454	1,066	2,261	333
Net (loss)/income attributable to RISE Education Cayman Ltd	(65,172)	(26,285)	53,923	7,954	19,325	60,088	8,863
Net (loss)/income per share:							
Basic and diluted	(0.65)	(0.26)	0.54	0.08	0.19	0.60	0.09
Shares used in net (loss)/income per share computation:							
Basic and diluted	100,000,000	100,000,000	100,000,000		100,000,000	100,000,000	
Non-GAAP Financial Measures:							
EBITDA(1)	14,818	40,794	142,318	20,993	58,591	109,562	16,161
EBITDA margin(2)	3.6%	7.7%	20.0%	20.0%	18.6%	25.1%	25.1%

(1) To see how we define and calculate EBITDA, a reconciliation between EBITDA and net (loss)/income (the most directly comparable U.S. GAAP financial measure) and a discussion about the limitations of non-GAAP financial measures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

(2) EBITDA margin is calculated by dividing EBITDA by revenues.

	As of December 31,			As of June 30,	
	2015	2016		2017	
	RMB	RMB	US$	RMB	US$
			(thousands)		
Selected Consolidated Balance Sheet Data:					
Total current assets	553,224	707,738	104,397	950,057	140,141
Cash and cash equivalents	517,436	639,999	94,405	537,032	79,217
Prepayments and other current assets	24,080	45,517	6,714	53,227	7,851
Total non-current assets	782,514	792,560	116,909	793,005	116,975
Property and equipment, net	70,860	75,673	11,162	87,255	12,871
Intangible assets, net	244,798	225,951	33,330	213,431	31,483
Goodwill	444,412	461,686	68,102	455,608	67,206
Total assets	1,335,738	1,500,298	221,306	1,743,062	257,116
Total current liabilities	571,426	763,366	112,603	951,741	140,390
Current portion of long-term loan	—	38,186	5,633	37,286	5,500
Accrued expenses and other current liabilities	73,172	96,158	14,184	101,591	14,986
Deferred revenue and customer advances	489,918	601,324	88,700	786,171	115,966
Total non-current liabilities	12,987	338,505	49,932	338,761	49,970
Long-term loan	—	333,102	49,135	327,270	48,275
Total liabilities	584,413	1,101,871	162,535	1,290,502	190,360
Total RISE Education Cayman Ltd shareholders' equity	757,018	407,200	60,066	463,594	68,384
Non-controlling interests	(5,693)	(8,773)	(1,295)	(11,034)	(1,628)
Total equity	751,325	398,427	58,771	452,560	66,756
Total liabilities, non-controlling interests and shareholders' equity	1,335,738	1,500,298	221,306	1,743,062	257,116

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

We operate in China's junior ELT market, which refers to after-school English teaching and tutoring services provided by training institutions to students aged three to 18. We are a leader in China's junior ELT market according to Frost & Sullivan, and we ranked second in 2016 with a market share of 10.7% in terms of gross billings in the premium segment. Furthermore, in 2016, we ranked first in the junior ELT market in Beijing with a market share of 11.4% and ranked second in the junior ELT market in tier-one cities with a market share of 5.9%, both in terms of gross billings according to Frost & Sullivan.

We pioneered the "subject-based learning" teaching philosophy in China, whereby various subject matters, such as language arts, math, natural science and social science are used to teach English. In 2016 and for the six month ended June 30, 2017, we had 36,173 and 26,600 student enrollments, respectively, in self-owned learning centers. We currently offer three flagship courses, namely Rise Start, Rise On and Rise Up, that are designed for students aged three to six, seven to twelve and 13 to 18, respectively.

We devote significant resources to curriculum development to ensure that our course offerings are up-to-date, engaging and effective. As of June 30, 2017 we had 1,315 teachers in self-owned learning centers. The quality of our course offerings and our unique teaching philosophy has helped us develop a strong and powerful brand that is attractive to parents.

Our business model is highly scalable. We have a network of both self-owned learning centers as well as franchised learning centers. As of June 30, 2017 we had a network of 246 learning centers across 80 cities in China, among which 56 were self-owned centers primarily located in tier-one cities and 190 centers were franchised learning centers primarily located in non-tier-one cities. We have enjoyed significant growth over the past few years. Our revenues increased from RMB529.5 million in 2015 to RMB711.0 million (US$104.9 million) in 2016, and increased from RMB315.0 million for the six months ended June 30, 2016 to RMB437.1 million (US$64.5 million) for the six months ended June 30, 2017, largely as a result of the growth of self-owned learning centers. As our network of learning centers has expanded, our brand has also strengthened. This has allowed us to maintain our position as a market leader, command premium pricing, improve profitability and enjoy a highly loyal customer base. In 2016, we had a 67% student retention rate, 63% higher than the industry average of 41%, according to Frost & Sullivan and our student retention rate improved further to 70% in the six months ended June 30, 2017. We recorded EBITDA of RMB40.8 million and RMB142.3 million (US$21.0 million) in 2015 and 2016, respectively, and RMB58.6 million and RMB109.6 million (US$16.2 million) for the six months ended June 30, 2016 and 2017, respectively. We recorded a net loss of RMB31.7 million in 2015 while we recorded net income of RMB50.8 million (US$7.5 million) in 2016, and we recorded a net income of RMB18.3 million and RMB57.8 million (US$8.5 million) for the six months ended June 30, 2016 and 2017, respectively.

Major Factors Affecting Our Results of Operations

Our business and operating results are impacted by factors that affect China's junior ELT market generally. We have benefited from a number of market factors, including China's rising birth rate largely resulting from

adoption of the "two-child policy," rising population in large urban centers, increases in average household income as well as the number of higher income families, limited penetration of junior ELT across China, favorable government policies that support the growth of private-sector education enterprises and permit increased operational and pricing flexibility, and the continued focus on study-abroad opportunities by parents.

At the same time, our results are subject to changes in the regulatory regime governing China's education industry. The PRC government regulates various aspects of our business and operations, including the qualification and licensing requirements for entities that provide education services, standards for operating facilities and limitations on foreign investments in the education industry.

While our business is influenced by factors affecting the junior ELT market in China generally, we believe our results of operations are more directly affected by company-specific factors, including the major factors highlighted below.

Student Enrollments

We derive a large portion of our revenues from tuition and fees that we charge for our educational programs. Student enrollments at self-owned learning centers increased by 96.0% from 18,451 in 2014 to 36,173 in 2016, and by 48.1% from 17,958 for the six months ended June 30, 2016 to 26,600 for the six months end June 30, 2017. Growth in student enrollments is dependent on our ability to retain our current students and to recruit new students. Our ability to retain existing students is largely dependent on the variety and quality of our course offerings, the quality of teachers and the overall satisfaction of students and their parents with the educational services we offer. Our ability to recruit new students is largely dependent on our reputation and brand recognition, which are affected by our branding activities and other selling and marketing efforts.

Number of Self-Owned Learning Centers

Our revenue growth is also driven by the number of self-owned learning centers, which directly affects our overall student enrollment. Our ability to increase the number of self-owned learning centers depends on a variety of factors, including identifying suitable locations and hiring qualified teachers and other necessary personnel for the new learning centers.

The number of self-owned learning centers has grown steadily in recent years, increasing from 43 as of December 31, 2014 to 54 as of December 31, 2016 and further to 56 as of June 30, 2017. As our network grows in size, we believe that our large scale strengthens our brand, which in turn supports the further growth of our network.

Pricing and Student Spending

Our revenues are directly affected by the pricing of our products offered at self-owned learning centers and, to a lesser extent, at franchised learning centers. We aim to charge premium tuition and fees while keeping in mind the general income level of the relevant location, competition and the local demand of our services. Tuition and fees in franchised learning centers located in non-tier-one cities are generally lower than our self-owned learning centers, which are mostly located in tier-one cities. In addition to raising tuition, we also seek to increase average spending of students by offering online and other complementary products, such as overseas study tours.

Scale and Success of Our Franchise Business

We derive revenues from our franchise business through initial or renewal franchise fees, recurring franchise fees and the sale of individual course materials. Revenues from initial franchise fees are derived when we enter into arrangements with a franchise partner to open new franchised learning centers, and are mainly affected by the number of new franchised learning centers. We also receive renewal franchise fees from our

existing franchise partners when they renew their franchise agreements. We also derive revenues from the sale of individual course materials and recurring franchise fees based on an agreed percentage of each franchised learning center's collected tuition fees. Such revenues are primarily driven by the number of total franchised learning centers and students enrolled. The scale of our franchise business largely depends on our ability to attract and retain more franchise partners, the ability of our franchise partners to successfully launch new franchised learning centers, as well as the ability of our franchise partners to operate effectively, attract new students and retain existing students.

We have achieved steady growth of franchised learning centers in recent years. The number of franchised learning centers increased from 137 as of December 31, 2014 to 167 as of December 31, 2016 and further to 190 as of June 30, 2017. We expect the number of franchised learning centers to continue to grow.

Level of Our Costs and Expenses and Operating Efficiency

Our ability to manage the costs and expenses of our operations directly affects our profitability.

Our cost of revenues primarily consists of personnel costs and rental costs for our learning centers. Variable costs such as salary and benefits for teachers generally increase with the increase of student enrollment. We strive to utilize our complementary products and other online technologies to facilitate the teaching at our learning centers and to enhance overall operating efficiency. Fixed costs, such as rental costs and other employee costs at self-owned learning centers, remain relatively stable. In general, learning centers with higher student enrollment yield higher gross margins.

Our operating expenses consist of selling and marketing expenses, and general and administrative expenses. Largely as a result of our standardized management operations, together with increasing economies of scale as we have expanded our network of learning centers, operating expenses as a percentage of total revenues have decreased over the years.

Going forward, we expect that our total costs and expenses will increase in line with the expansion of our network of learning centers. We also expect to improve our operating efficiency and increase economies of scale.

Description of Certain Statement of Income Items

Revenues

We generate revenues primarily from educational programs, franchise fees and other revenues in China. The table below sets forth the breakdown of our revenues, both in absolute amount and as a percentage of revenues, for the periods indicated.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2014		2015		2016			2016		2017		
	RMB	Percentage of Revenues	RMB	Percentage of Revenues	RMB	US$	Percentage of Revenues	RMB	Percentage of Revenues	RMB	US$	Percentage of Revenue
	(thousands, except for percentages)											
Educational programs	349,398	85.9	451,411	85.2	618,326	91,208	87.0	274,278	87.1	377,759	55,723	86.4
Franchise revenues	52,063	12.8	60,793	11.5	63,532	9,371	8.9	32,151	10.2	52,025	7,674	11.9
Other revenues	5,244	1.3	17,265	3.3	29,135	4,298	4.1	8,617	2.7	7,316	1,079	1.7
Revenues	406,705	100.0	529,469	100.0	710,993	104,877	100.0	315,046	100.0	437,100	64,476	100.0

We provide junior English language training to students through our three flagship courses, namely, Rise Start, Rise On and Rise Up. We charge tuition and course material fees for our educational programs at self-

owned learning centers. Tuition fees are collected in full in advance and are initially recorded as deferred revenue and customer advances and recognized ratably as the classes for the related course are delivered. If we reschedule classes due to school holidays, inclement weather, or health epidemics, or any other reason, we will not be able to recognize revenues until those classes are rescheduled. For example, during the third quarter of 2017, we rescheduled certain classes for some of these reasons. We recognize course material fees once the student attends the first class of the respective course.

We generate franchise revenues from franchised learning centers through authorizing our franchise partners to use our brand, as well as the provision of initial setup and ongoing franchise support services, including quality control of courses and centralized training for teachers from franchised learning centers. We receive an initial or renewal franchise fee when we enter into or renew a franchise agreement. During the term of the franchise, we charge each franchised learning center recurring franchise fees based on an agreed percentage of its collected tuition fees and related individual course materials fees.

As of December 31, 2015 and 2016 and June 30, 2017, we recorded deferred revenue and customer advances of RMB489.9 million, RMB601.3 million (US$88.7 million) and RMB 786.2 million (US$116.0 million)), respectively, which are primarily from our educational programs and, to a lesser extent, from our franchise business. Given that our tuition and fees are prepaid, we expect to generate sufficient cash from our operating activities to meet our working capital and capital expenditure needs.

We generate other revenues primarily from Rise Overseas Study Tours, Rise Camps and other complementary products, such as Rise Workshop.

Cost of Revenues

Our cost of revenues consists primarily of (i) personnel costs, including teachers' costs and, to a lesser extent, costs relating to our franchise service and supervision team and research and curriculum development team, (ii) rental costs, (iii) amortization of intangible assets and (iv) others, including construction and design costs, course materials cost and other operating costs incurred to operate self-owned centers. We expect cost of revenues to increase in line with our expansion of business. The table below sets forth a breakdown of our cost of revenues for the periods indicated:

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2014		2015		2016			2016		2017		
	RMB	Percentage of Revenues	RMB	Percentage of Revenues	RMB	US$	Percentage of Revenues	RMB	Percentage of Revenues	RMB	US$	Percentage of Revenues
	(thousands, except for percentages)											
Personnel costs	92,789	22.8	114,052	21.5	131,598	19,412	18.5	61,489	19.5	75,878	11,193	17.4
Rental costs	85,027	20.9	100,145	18.9	109,692	16,180	15.4	53,002	16.8	71,345	10,524	16.3
Amortization of intangible assets	73,680	18.1	60,338	11.4	35,046	5,170	4.9	20,314	6.4	7,455	1,100	1.7
Others	43,601	10.7	72,136	13.6	87,243	12,869	12.3	34,932	11.1	41,401	6,107	9.5
Total	295,097	72.5	346,671	65.4	363,579	53,631	51.1	169,737	53.8	196,079	28,924	44.9

Amortization of intangible assets includes amortization of courseware license, student base and franchise agreements that were acquired as part of the acquisition of our business by RISE Education in 2013, or the 2013 acquisition, amounting to RMB73.1 million, RMB59.7 million, RMB34.2 million (US$5.0 million) and RMB7.0 million (US$1.0 million) in 2014, 2015 and 2016 and for the six months ended June 30, 2017, respectively. See "Corporate History and Structure—Corporate History." Amortization of such acquired intangible assets is recognized using a straight-line method over the estimated useful lives of each intangible asset except for student base which is amortized on an accelerated basis.

Operating Expenses

Our operating expenses consist of selling and marketing expenses and general and administrative expenses. The table below sets forth our operating expenses, both in absolute amount and as a percentage of revenues, for the periods indicated.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2014		2015		2016			2016		2017		
	RMB	Percentage of Revenues	RMB	Percentage of Revenues	RMB	US$	Percentage of Revenues	RMB	Percentage of Revenues	RMB	US$	Percentage of Revenues
	(thousands, except for percentages)											
Selling and marketing	74,368	18.3	96,688	18.3	128,475	18,951	18.1	53,722	17.1	71,243	10,509	16.3
General and administrative	122,791	30.2	135,603	25.6	148,093	21,845	20.8	68,311	21.7	84,921	12,526	19.4
Total operating expenses	197,159	48.5	232,291	43.9	276,568	40,796	38.9	122,033	38.8	156,164	23,035	35.7

Selling and marketing expenses

Our selling and marketing expenses consist primarily of (i) general marketing channel and personnel expenses, and (ii) branding and promotional expenses, including expenses related to our events such as Rise Cup and Rise Star. We expect that our selling and marketing expenses will continue to increase in absolute amounts as we continue to market our products and expand into new geographic regions. We also recorded amortization of trademarks used for brand promotion acquired as part of the 2013 acquisition under selling and marketing expenses. See “Corporate History and Structure—Corporate History.”

General and administrative expenses

Our general and administrative expenses mainly consist of (i) personnel expenses related to management and other employees, (ii) fees paid to professional parties and (iii) rental expenses for administrative facilities. We expect that our general and administrative expenses will increase in absolute amounts in the foreseeable future as we incur additional costs for becoming and being a public company, but will in time decrease as a percentage of our net revenues as we continue to benefit from economies of scale and improve our operating efficiency.

Results of Operations

The table below sets forth a summary of our consolidated results of operations for the periods indicated, both in absolute amounts and as percentages of our revenues. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,							For the Six Months Ended June 30,				
	2014		2015		2016			2016		2017		
	RMB	Percentage of Revenues	RMB	Percentage of Revenues	RMB	US$	Percentage of Revenues	RMB	Percentage of Revenues	RMB	US$	Percentage of Revenues
	(thousands, except for percentages)											
Revenues:												
Educational programs	349,398	85.9	451,411	85.2	618,326	91,208	87.0	274,278	87.1	377,759	55,723	86.4
Franchise revenues	52,063	12.8	60,793	11.5	63,532	9,371	8.9	32,151	10.2	52,025	7,674	11.9
Other revenues	5,244	1.3	17,265	3.3	29,135	4,298	4.1	8,617	2.7	7,316	1,079	1.7
Total	406,705	100.0	529,469	100.0	710,993	104,877	100.0	315,046	100.0	437,100	64,476	100.0
Cost of revenues	(295,097)	(72.6)	(346,671)	(65.5)	(363,579)	(53,631)	(51.1)	(169,737)	(53.9)	(196,079)	(28,924)	(44.9)
Gross profit	111,608	27.4	182,798	34.5	347,414	51,246	48.9	145,309	46.1	241,021	35,552	55.1
Operating expenses:												
Selling and marketing	(74,368)	(18.3)	(96,688)	(18.3)	(128,475)	(18,951)	(18.1)	(53,722)	(17.1)	(71,243)	(10,509)	(16.3)
General and administrative	(122,791)	(30.2)	(135,603)	(25.6)	(148,093)	(21,845)	(20.8)	(68,311)	(21.7)	(84,921)	(12,526)	(19.4)
Total operating expenses	(197,159)	(48.5)	(232,291)	(43.9)	(276,568)	(40,796)	(38.9)	(122,033)	(38.8)	(156,164)	(23,035)	(35.7)
Operating (loss)/income	(85,551)	(21.0)	(49,493)	(9.3)	70,846	10,450	10.0	23,276	7.3	84,857	12,517	19.4
Interest income	7,150	1.8	17,853	3.4	16,622	2,452	2.3	6,053	1.9	9,438	1,392	2.2
Interest expense	—	—	—	—	(6,073)	(896)	(0.9)	—	—	(9,907)	(1,461)	(2.3)
Foreign currency exchange loss	(27)	(0.0)*	(1,473)	(0.3)	(2,741)	(404)	(0.4)	(1,188)	(0.4)	198	29	0.0*
Other income/(expense), net	74	0.0*	253	0.0*	4,391	648	0.6	(40)	(0.0)*	(136)	(20)	(0.0)*
(Loss)/income before income tax expense	(78,354)	(19.3)	(32,860)	(6.2)	83,045	12,250	11.7	28,101	8.8	84,450	12,457	19.3
Income tax benefit/(expense)	5,685	1.4	1,119	0.2	(32,202)	(4,750)	(4.5)	(9,842)	(3.1)	(26,623)	(3,927)	(6.1)
Net (loss)/income	(72,669)	(17.9)	(31,741)	(6.0)	50,843	7,500	7.2	18,259	5.7	57,827	8,530	13.2
Net loss attributable to non-controlling interests	7,497	1.8	5,456	1.0	3,080	454	0.4	1,066	0.3	2,261	333	0.5
Net (loss)/income attributable to RISE Education Cayman Ltd	(65,172)	(16.0)	(26,285)	(5.0)	53,923	7,954	7.6	19,325	6.0	60,088	8,863	13.7
Non-GAAP Financial Measures:												
EBITDA(1)	14,818		40,794		142,318	20,993		58,591		109,562	16,161	
EBITDA margin(2)	3.6%		7.7%		20.0%	20.0%		18.6%		25.1%	25.1%	

* Less than 0.1%

(1) To see how we define and calculate EBITDA, a reconciliation between EBITDA and net (loss)/income (the most directly comparable U.S. GAAP financial measure) and a discussion about the limitations of non-GAAP financial measures, see "—Non-GAAP Financial Measures."

(2) EBITDA margin is calculated by dividing EBITDA by revenues.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Revenues

Our revenues increased by 38.7%, from RMB315.0 million for the six months ended June 30, 2016 to RMB437.1 million (US$64.5 million) for the six months ended June 30, 2017. This increase was primarily attributable to an increase of RMB103.5 million (US$15.3 million) in revenues from educational programs.

- *Revenues from educational programs*. Our revenues from educational programs increased by 37.7%, from RMB274.3 million for the six months ended June 30, 2016 to RMB377.8 million (US$55.7 million) for the six months ended June 30, 2017. This increase was primarily due to an increase in student enrollments at self-owned learning centers from approximately 17,958 for the six months ended June 30, 2016 to 26,600 for the six months ended June 30, 2017. The increase in our student enrollments was attributable to (i) higher student enrollments at existing learning centers as they matured and achieved a higher retention rate as well as due to greater sales and marketing efforts for the six months ended June 30, 2017 and (ii) the increase in the number of self-owned learning centers from 46 as of June 30, 2016 to 56 as of June 30, 2017. We expect student enrollments in our self-owned learning centers will increase as we expand. We also had a slight increase in average tuition and fees for the six months ended June 30, 2017.
- *Franchise revenues*. Our franchise revenues increased by 61.8%, from RMB32.2 million for the six months ended June 30, 2016 to RMB52.0 million (US$7.7 million) for the six months ended June 30, 2017. This increase was primarily due to increases in the recurring franchise fees from our existing franchised learning centers for the six months ended June 30, 2017 as well as initial and renewal franchise fees. The number of franchised learning centers increased from 145 as of June 30, 2016 to 190 as of June 30, 2017. We expect the number of franchised learning centers and the recurring fees received from existing franchised learning centers will increase as we expand.
- *Other revenues*. Our other revenues decreased by 15.1%, from RMB8.6 million for the six months ended June 30, 2016 to RMB7.3 million (US$1.1 million) for the six months ended June 30, 2017. The decrease was primarily due to a decrease in revenues from our winter camp in 2017.

Cost of revenues

Our cost of revenues increased from RMB169.8 million for the six months ended June 30, 2016 to RMB196.1 million (US$28.9 million) for the six months ended June 30, 2017, primarily due to the increase in rental costs and personnel costs. Rental costs increased as we expanded our operations, while the increase in personnel costs was primarily attributable to an increase in the number of teachers and higher average compensation and utilization of our teachers as we expanded our network of self-owned learning centers. The number of teachers at self-owned learning centers increased from 1,181 as of June 30, 2016 to 1,315 as of June 30, 2017. Increases in the size of our franchise service and supervision team also contributed to the increase in our cost of revenues. In addition, we recorded amortization of certain intangible assets acquired as part of the 2013 acquisition of RMB19.9 million and RMB7.0 million (US$1.0 million) for the six months ended June 30, 2016 and 2017, respectively. See “—Description of Certain Statement of Income Items—Cost of Revenues.”

Gross profit

Our gross profit increased by 65.9%, from RMB145.3 million for the six months ended June 30, 2016 to RMB241.0 million (US$35.6 million) for the six months ended June 30, 2017. We had gross margins of 46.1% for the six months ended June 30, 2016 and 55.1% for the six months ended June 30, 2017. The increase in our gross margin was primarily attributable to the increase of operating efficiencies and the decrease in amortization.

Selling and marketing expenses

Our selling and marketing expenses increased by 32.6%, from RMB53.7 million for the six months ended June 30, 2016 to RMB71.2 million (US$10.5 million) for the six months ended June 30, 2017. This increase was primarily due to increases in (i) expenses relating to branding and promotional activities for our tenth anniversary in the first half of 2017 and (ii) general marketing channel expenses and personnel expenses as we expanded our network of self-owned learning centers and increased student enrollments. Our selling and marketing expenses constituted 17.1% and 16.3% of our revenues for the six months ended June 30, 2016 and 2017, respectively.

General and administrative expenses

Our general and administrative expenses increased by 24.3%, from RMB68.3 million for the six months ended June 30, 2016 to RMB84.9 million (US$12.5 million) for the six months ended June 30, 2017. This increase was primarily due to an increase in the number of administrative personnel and other administrative expenses. Our general and administrative expenses constituted 21.7% and 19.4% of our revenues for the six months ended June 30, 2016 and 2017, respectively. The decrease was largely due to the increase in our operating efficiency as a result of our standardized management operations and increasing economies of scale.

Operating income

As a result of the foregoing, we had an operating income of RMB84.9 million (US$12.5 million) for the six months ended June 30, 2017, compared to an operating income of RMB23.3 million for the six months ended June 30, 2016.

Interest income, interest expense, foreign currency exchange loss and other income, net

We had interest income of RMB6.1 million and RMB9.4 million (US$1.4 million) for the six months ended June 30, 2016 and 2017, respectively, which are primarily from holdings of interest-bearing financial instruments. We had interest expense of RMB9.9 million (US$1.5 million) for the six months ended June 30, 2017. We had foreign currency exchange loss of RMB1.2 million for the six months ended June 30, 2016 and foreign currency exchange gain of RMB0.2 million (US$0.03 million) for the six months ended June 30, 2017. We had other expense, net of RMB0.04 million for the six months ended June 30, 2016 and other expense, net of RMB0.1 million (US$0.02 million) for the six months ended June 30, 2017.

Income before income tax expense

As a result of the foregoing, we had income before income tax expense of RMB84.5 million (US$ 12.5 million) for the six months ended June 30, 2017, compared to income before income tax of RMB28.1 million for the six months ended June 30, 2016.

Income tax expense

We had an income tax expense of RMB9.8 million and RMB26.6 million (US$3.9 million) for the six months ended June 30, 2016 and 2017, respectively.

Net income

As a result of the foregoing, we had net income of RMB57.8 million (US$8.5 million) for the six months ended June 30, 2017, compared to net income of RMB18.3 million for the six months ended June 30, 2016.

EBITDA

EBITDA, which is net income or loss before interest, taxes, depreciation and amortization, was RMB58.6 million for the six months ended June 30, 2016 and RMB109.6 million (US$16.2 million) for the six months ended June 30, 2017. For a discussion of the limitations associated with using EBITDA rather than U.S. GAAP measures and a reconciliation to net income or loss, see "—Non-GAAP Financial Measures."

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

Revenues

Our revenues increased by 34.3%, from RMB529.5 million in 2015 to RMB711.0 million (US$104.9 million) in 2016. This increase was primarily attributable to an increase of RMB166.9 million (US$24.6 million) in revenues from educational programs.

- *Revenues from educational programs*. Our revenues from educational programs increased by 37.0%, from RMB451.4 million in 2015 to RMB618.3 million (US$91.2 million) in 2016. This increase was primarily due to an increase in student enrollments at self-owned learning centers from approximately 26,951 in 2015 to 36,173 in 2016. The increase in our student enrollments was attributable to (i) higher student enrollments at existing learning centers as they matured and achieved a higher retention rate as well as due to greater sales and marketing efforts in 2016 and (ii) the increase in the number of self-owned learning centers from 46 as of December 31, 2015 to 54 as of December 31, 2016. We also had a slight increase in average tuition and fees in 2016.
- *Franchise revenues*. Our franchise revenues increased by 4.5%, from RMB60.8 million in 2015 to RMB63.5 million (US$9.4 million) in 2016. This increase was primarily due to an increase in the recurring franchise fees from our existing franchised learning centers in 2016 as well as initial and renewal franchise fees. The number of franchised learning centers increased from 147 as of December 31, 2015 to 167 as of December 31, 2016. We expect student enrollments in those new franchised learning centers will increase as they grow.
- *Other revenues*. Our other revenues increased by 68.8%, from RMB17.3 million in 2015 to RMB29.1 million (US$4.3 million) in 2016. The increase was primarily due to the increase in students enrolled in our overseas study tours.

Cost of revenues

Our cost of revenues increased from RMB346.7 million in 2015 to RMB363.6 million (US$53.6 million) in 2016, primarily due to the increase in personnel costs and rental costs. Such increase was primarily attributable to an increase in the number of teachers and rental costs as we expanded our network of self-owned learning centers. The number of teachers at self-owned learning centers increased from 1,162 as of December 31, 2015 to 1,253 as of December 31, 2016, to staff new centers and expand existing centers. Increases in the size of our franchise service and supervision team and costs associated with our overseas study tours also contributed to the increase in our cost of revenues. In addition, we recorded amortization of certain intangible assets acquired as part of the 2013 acquisition of RMB59.7 million and RMB34.2 million (US$5.0 million) in 2015 and 2016, respectively. See "—Description of Certain Statement of Income Items—Cost of Revenues."

Gross profit

Our gross profit increased by 90.0%, from RMB182.8 million in 2015 to RMB347.4 million (US$51.2 million) in 2016. We had gross margins of 34.5% in 2015 and 48.9% 2016. The increase in our gross margin was primarily attributable to the increase of operating efficiencies and the decrease in amortization of the student base related to the 2013 acquisition that was amortized on a more accelerated basis in 2015 as compared to 2016.

Selling and marketing expenses

Our selling and marketing expenses increased by 32.9%, from RMB96.7 million in 2015 to RMB128.5 million (US$19.0 million) in 2016. This increase was primarily due to increases in (i) general marketing channel expenses and personnel expenses and (ii) expenses relating to branding and promotional activities as we expanded our network of self-owned learning centers and increased student enrollments. Our selling and marketing expenses constituted 18.3% and 18.1% of our revenues in 2015 and 2016, respectively.

General and administrative expenses

Our general and administrative expenses increased by 9.2%, from RMB135.6 million in 2015 to RMB148.1 million (US$21.8 million) in 2016. This increase was primarily due to an increase in the number of administrative personnel and other administrative expenses. Our general and administrative expenses constituted 25.6% and 20.8% of our revenues in 2015 and 2016, respectively. The decrease was largely due to the increase in our operating efficiency.

Operating (loss)/income

As a result of the foregoing, we had an operating income of RMB70.8 million (US$10.5 million) in 2016, compared to an operating loss of RMB49.5 million in 2015.

Interest income, interest expense, foreign currency exchange loss and other income, net

We had interest income of RMB17.9 million and RMB16.6 million (US$2.5 million) in 2015 and 2016, respectively, which are primarily from holdings of interest-bearing financial instruments. We had interest expense of RMB6.1 million (US$0.9 million) in 2016. We had foreign currency exchange loss of RMB1.5 million and RMB2.7 million (US$0.4 million) in 2015 and 2016, respectively. We had other income, net of RMB0.3 million and RMB4.4 million (US$0.6 million) in 2015 and 2016, respectively. The increase in other income, net in 2016 was due to a government subsidy and one-off cash proceeds received from a litigation settlement.

(Loss)/income before income tax expense

As a result of the foregoing, we had income before income tax expense of RMB83.0 million (US$12.3 million) in 2016, compared to a loss before income tax of RMB32.9 million in 2015.

Income tax benefit/(expense)

We had an income tax benefit of RMB1.1 million in 2015 as we did not have taxable income in that year and an income tax expense of RMB32.2 million (US$4.8 million) in 2016.

Net (loss)/income

As a result of the foregoing, we had net income of RMB50.8 million (US$7.5 million) in 2016, compared to net loss of RMB31.7 million in 2015.

EBITDA

EBITDA, which is net income or loss before interest, taxes, depreciation and amortization, was RMB40.8 million in 2015 and RMB142.3 million (US$21.0 million) in 2016. For a discussion of the limitations associated with using EBITDA rather than U.S. GAAP measures and a reconciliation to net income or loss, see “— Non-GAAP Financial Measures.”

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

Revenues

Our revenues increased by 30.2%, from RMB406.7 million in 2014 to RMB529.5 million in 2015. This increase was primarily attributable to an increase of RMB101.6 million in revenues from educational programs.

- *Revenue from educational programs*. Our revenue from educational programs increased by 29.2%, from RMB349.4 million in 2014 to RMB451.4 million in 2015. This increase was primarily due to an increase in student enrollments at self-owned learning centers from 18,451 in 2014 to 26,951 in 2015. The increase in our student enrollments was attributable to (i) higher student enrollments at existing learning centers as we increased sales and marketing efforts in 2015, and (ii) the increase in the number of self-owned learning centers from 43 as of December 31, 2014 to 46 as of December 31, 2015. We also had a slight increase in average tuition and fees in 2015.
- *Franchise revenues*. Our franchise revenues increased by 16.8%, from RMB52.1 million in 2014 to RMB60.8 million in 2015. This increase was primarily due to an increase in the initial and renewal franchise fees and an increase in recurring franchise fees from our existing franchised learning centers in 2015. The number of franchised learning centers increased from 137 as of December 31, 2014 to 147 as of December 31, 2015.
- *Other revenues*. Our other revenues increased by 229.2%, from RMB5.2 million to RMB17.3 million in 2015. The increase was primarily due to an increase in students enrolled in our overseas study tours.

Cost of revenues

Our cost of revenues increased by 17.5%, from RMB295.1 million in 2014 to RMB346.7 million in 2015 primarily due to an increase in personnel costs and rental costs. The increase was primarily attributable to an increase in number of teachers and rental costs from self-owned learning centers as we expanded our network. The number of teachers at self-owned learning centers increased from 1,055 as of December 31, 2014 to 1,162 as of December 31, 2015 to staff our new centers and expand the existing ones. Increases in the size of our franchise service and supervision team and costs associated with our overseas study tours also contributed to the increase in our cost of revenues. In addition, we recorded amortization of certain intangible assets acquired as part of the 2013 acquisition of RMB73.1 million and RMB59.7 million in 2014 and 2015, respectively. See "—Description of Certain Statement of Income Items—Cost of Revenues."

Gross profit

Our gross profit increased by 63.8%, from RMB111.6 million in 2014 to RMB182.8 million in 2015. We had gross margins of 27.4% in 2014 and 34.5% in 2015. The increase in our gross margin was primarily attributable to the increase of operating efficiencies and the decrease in amortization of intangible assets.

Selling and marketing expenses

Our selling and marketing expenses increased by 30.0%, from RMB74.4 million in 2014 to RMB96.7 million in 2015. This increase was primarily due to increases in (i) general marketing channel expenses and personnel expenses and (ii) expenses relating to branding and promotional activities as we expanded our network of self-owned learning centers and increased student enrollments. As a percentage of revenues, our selling and marketing expenses remained at the same level at 18.3% in 2014 and 2015.

General and administrative expenses

Our general and administrative expenses increased by 10.4%, from RMB122.8 million in 2014 to RMB135.6 million in 2015. This increase was primarily due to an increase in the number of administrative

personnel and other administrative expenses. Our general and administrative expenses constituted 30.2% and 25.6% of revenues in 2014 and 2015, respectively. The decrease was largely due to the increase in our operating efficiency.

Operating (loss)/income

As a result of the foregoing, we had an operating loss of RMB49.5 million in 2015, compared to an operating loss of RMB85.6 million.

Interest income, foreign currency exchange loss and other income, net

We had interest income of RMB7.2 million and RMB17.9 million in 2014 and 2015, respectively, which are primarily from holdings of interest-bearing financial instruments. We had foreign currency exchange loss of RMB1.5 million in 2015. We had other income, net of RMB0.3 million in 2015.

(Loss)/income before income tax expense

As a result of the foregoing, our losses before income tax decreased from RMB78.4 million in 2014 to RMB32.9 million in 2015.

Income tax benefit/(expense)

We had an income tax benefit of RMB5.7 million in 2014 and RMB1.1 million in 2015. Our income tax benefits in 2014 and 2015 were primarily attributable to losses incurred during those years.

Net (loss)/income

As a result of the foregoing, we had net loss of RMB31.7 million in 2015, compared to net loss of RMB72.7 million in 2014.

EBITDA

EBITDA was RMB14.8 million in 2014 and RMB40.8 million in 2015. For a discussion of the limitations associated with using EBITDA rather than U.S. GAAP measures and a reconciliation to net income or loss, see “—Non-GAAP Financial Measures.”

Selected Quarterly Results of Operations

The following table sets forth our unaudited consolidated results of operations for each of the ten quarters from January 1, 2015 to June 30, 2017. We have prepared the unaudited quarterly consolidated results of operations set forth below on the same basis as our audited consolidated financial statements and include all adjustments, consisting of normal recurring adjustments, that we consider necessary for a fair statement of our financial position and operating results for the periods presented. Our historical results are not necessarily indicative of results expected for future periods. You should read this selected quarterly results of operations section together with our audited consolidated financial statements and the related notes included elsewhere in this prospectus.

	For the three months ended									
	March 31, 2015	June. 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
	(RMB in thousands, except for EBITDA margin)									
Revenues	90,551	120,716	162,726	155,476	142,943	172,103	202,696	193,251	210,323	226,777
Cost of revenues	(78,759)	(78,487)	(102,090)	(87,335)	(88,529)	(81,208)	(101,391)	(92,451)	(96,316)	(99,763)
Gross profit	**11,792**	**42,229**	**60,636**	**68,141**	**54,414**	**90,895**	**101,305**	**100,800**	**114,007**	**127,014**
Operating expenses:										
Selling and marketing	(20,728)	(23,362)	(27,221)	(25,377)	(25,394)	(28,328)	(30,443)	(44,310)	(31,306)	(39,937)
General and administrative	(31,524)	(32,901)	(33,898)	(37,280)	(33,101)	(35,210)	(36,947)	(42,835)	(41,308)	(43,613)
Total operating expenses	**(52,252)**	**(56,263)**	**(61,119)**	**(62,657)**	**(58,495)**	**(63,538)**	**(67,390)**	**(87,145)**	**(72,614)**	**(83,550)**
Operating (loss)/income	**(40,460)**	**(14,034)**	**(483)**	**5,484**	**(4,081)**	**27,357**	**33,915**	**13,655**	**41,393**	**43,464**
Interest income	2,093	5,306	5,754	4,700	980	5,073	6,153	4,416	2,606	6,832
Interest expense	—	—	—	—	—	—	(1,038)	(5,035)	(5,167)	(4,740)
Foreign currency exchange gain/(loss)	27	(5)	(879)	(616)	730	(1,918)	(186)	(1,367)	(18)	216
Other (expense)/income, net	(123)	199	314	(137)	74	(114)	79	4,352	152	(288)
(Loss)/income before income tax expense	**(38,463)**	**(8,534)**	**4,706**	**9,431**	**(2,297)**	**30,398**	**38,923**	**16,021**	**38,966**	**45,484**
Income tax benefit/(expense)	5,765	672	(2,038)	(3,280)	47	(9,889)	(12,020)	(10,340)	(12,576)	(14,047)
Net (loss)/income	**(32,698)**	**(7,862)**	**2,668**	**6,151**	**(2,250)**	**20,509**	**26,903**	**5,681**	**26,390**	**31,437**
Add: Net loss attributable to non-controlling interests	1,589	1,434	1,128	1,305	708	358	51	1,963	1,872	389
Net (loss)/income attributable to RISE Education Cayman Ltd	**(31,109)**	**(6,428)**	**3,796**	**7,456**	**(1,542)**	**20,867**	**26,954**	**7,644**	**28,262**	**31,826**
Non-GAAP Financial Measures:										
EBITDA(1)	(16,650)	8,603	21,067	27,774	17,807	40,784	49,505	34,222	53,582	55,980
EBITDA margin(2)	-18.4%	7.1%	12.9%	17.9%	12.5%	23.7%	24.4%	17.7%	25.5%	24.7%

(1) To see how we define and calculate EBITDA, a reconciliation between EBITDA and net (loss)/income (the most directly comparable U.S. GAAP financial measure) and a discussion about the limitations of non-GAAP financial measures, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Non-GAAP Financial Measures."

(2) EBITDA margin is calculated by dividing EBITDA by revenues.

Seasonal fluctuations have affected, and are likely to continue to affect, our business. Our quarterly revenues overall were primarily generated from our educational programs and, to a lesser extent, from franchise

revenues and other revenues. Generally, we generate higher revenues in the third quarter as we generate revenues from summer overseas study tours during the summer holiday, and we generate lower revenues in the first quarter as we deliver fewer classes due to the Chinese New Year holiday. The fluctuation in the first quarter is partially offset by revenues generated from our winter overseas study tours.

Our quarterly cost of revenues, selling and marketing expenses and general and administrative expenses generally increased in absolute amounts during the period from January 1, 2015 to June 30, 2017 as our revenues increased and we opened more self-owned learning centers, enhanced our marketing efforts and increased the headcount of our teachers and other administrative staff. Our operating income decreased from RMB33.9 million in the third quarter of 2016 to RMB13.7 million (US$2.0 million) in the fourth quarter of 2016 mainly because we had increased selling and marketing expenses for branding and promotion activities relating to our tenth anniversary. Overall, although the historical seasonality of our business has been relatively mild, we expect to continue to experience seasonal fluctuations in our results of operations. See “Risk Factors—Risks Related to Our Business and Industry—Our results of operations are subject to seasonal fluctuations.”

Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with U.S. GAAP, we use EBITDA and EBITDA margin, both non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. These non-GAAP financial measures, which may differ from similarly titled measures used by other companies, are presented to enhance investors’ overall understanding of our financial performance and should not be considered a substitute for, or superior to, the financial information prepared and presented in accordance with U.S. GAAP.

EBITDA is defined as net income or loss before interest, taxes, depreciation and amortization. EBITDA margin is defined as EBITDA as a percentage of revenues. We believe that EBITDA and EBITDA margin provide useful information to investors and others in understanding and evaluating our operating results. These non-GAAP financial measures eliminate the impact of items that we do not consider indicative of the performance of our business. While we believe that these non-GAAP financial measures are useful in evaluating our business, this information should be considered as supplemental in nature and is not meant as a substitute for the related financial information prepared in accordance with U.S. GAAP.

The tables below present reconciliations of EBITDA to net (loss)/income, the most directly comparable U.S. GAAP financial measure, as well as EBITDA margin, for the periods indicated.

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2014	2015	2016		2016	2017	
	RMB	RMB	RMB	US$	RMB	RMB	US$
	(thousands, except for EBITDA margin)						
Net (loss)/income	(72,669)	(31,741)	50,843	7,500	18,259	57,827	8,530
Add: Depreciation	22,218	26,128	29,634	4,371	13,832	14,528	2,143
Add: Amortization(1)	78,104	65,379	40,188	5,928	22,711	10,115	1,492
Add: Interest expense	—	—	6,073	896	—	9,907	1,461
Add: Income tax (benefit)/expense	(5,685)	(1,119)	32,202	4,750	9,842	26,623	3,927
Less: Interest income	7,150	17,853	16,622	2,452	6,053	9,438	1,392
EBITDA	14,818	40,794	142,318	20,993	58,591	109,562	16,161
EBITDA margin	3.6%	7.7%	20.0%	20.0%	18.6%	25.1%	25.1%

(1) Includes amortization of certain intangible assets acquired as part of the 2013 acquisition. Such intangible assets include courseware license, student base and franchise agreements recorded under cost of revenues in the amount of RMB73.1 million, RMB59.7 million, RMB34.2 million (US$5.0 million), RMB19.9 million and RMB7.0 million (US$1.0 million) in 2014, 2015 and 2016 and for the six months ended June 30, 2016 and 2017, respectively, and trademarks under selling and marketing expenses in the amount of

RMB2.9 million, RMB2.9 million, RMB3.1 million (US$0.5 million), RMB1.5 million and RMB1.6 million (US$0.2 million), respectively. See "Corporate History and Structure—Corporate History."

	For the three months ended									
	Mar. 31, 2015	Jun. 30, 2015	Sep. 30, 2015	Dec. 31, 2015	Mar. 31, 2016	Jun. 30, 2016	Sep. 30, 2016	Dec. 31, 2016	Mar. 31, 2017	Jun. 30, 2017
	(RMB in thousands, except for EBITDA margin)									
Net (loss)/income	(32,698)	(7,862)	2,668	6,151	(2,250)	20,509	26,903	5,681	26,390	31,437
Add: Depreciation	7,517	6,101	5,951	6,559	6,846	6,986	7,077	8,724	6,960	7,568
Add: Amortization(1)	16,389	16,342	16,164	16,484	14,238	8,473	8,620	8,858	5,095	5,020
Add: Interest expense	—	—	—	—	—	—	1,038	5,035	5,167	4,740
Add: Income tax (benefit)/expense	(5,765)	(672)	2,038	3,280	(47)	9,889	12,020	10,340	12,576	14,047
Less: Interest income	2,093	5,306	5,754	4,700	980	5,073	6,153	4,416	2,606	6,832
EBITDA	(16,650)	8,603	21,067	27,774	17,807	40,784	49,505	34,222	53,582	55,980
EBITDA margin	-18.4%	7.1%	12.9%	17.9%	12.5%	23.7%	24.4%	17.7%	25.5%	24.7%

(1) Includes amortization of certain intangible assets acquired as part of the 2013 acquisition. Such intangible assets include courseware license, student base and franchise agreements recorded under cost of revenues and trademarks under selling and marketing expenses. See "Corporate History and Structure—Corporate History."

The use of EBITDA and EBITDA margin has material limitations as an analytical tool, as EBITDA and EBITDA margin do not include all items that impact our net loss or income for the period.

Liquidity and Capital Resources

Cash Flows and Working Capital

Our principal sources of liquidity have been from cash generated from operating activities. As of December 31, 2015 and 2016 and June 30, 2017, we had RMB517.4 million, RMB640.0 million (US$94.4 million) and RMB537.0 million (US$79.2 million), respectively, in cash and cash equivalents. Cash and cash equivalents consist of cash on hand placed with banks or other financial institutions and highly liquid investment which are unrestricted as to withdrawal and use and have original maturities of three months or less when purchased. Our cash and cash equivalents are primarily denominated in Renminbi.

We intend to finance our future working capital requirements and capital expenditures from cash generated from operating activities, funds raised from financing activities, including the net proceeds we will receive from this offering. As an offshore holding company, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries through loans or capital contributions, subject to applicable regulatory approvals. We cannot assure you that we will be able to obtain these regulatory approvals on a timely basis, if at all. See "Risk Factors—Risks Related to Our Corporate Structure—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries and consolidated affiliates, which could materially and adversely affect our liquidity and our ability to fund and expand our business." We believe that our current available cash and cash equivalents will be sufficient to meet our working capital requirements and capital expenditures in the ordinary course of business for the next twelve months without taking into account the proceeds from this offering.

However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, sell debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities would result in additional dilution to our shareholders. The incurrence of indebtedness and issuance of debt securities would result in debt

service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders.

We do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future after this offering. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. In September 2017, we paid cash dividends totaling US$87.0 million to our shareholders.

As a holding company with no material operations of our own, we are a corporation separate and apart from our subsidiaries and our VIE and its subsidiaries and, therefore, must provide for our own liquidity. We conduct our operations in China primarily through our PRC subsidiary and our VIE and its subsidiaries and schools. As a result, our ability to pay dividends and to finance any debt we may incur depends upon dividends paid by our subsidiaries, our VIE and its subsidiaries and schools. If our PRC subsidiary or any newly formed PRC subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us. In addition, our PRC subsidiaries are permitted to pay dividends to us only out of their respective retained earnings, if any, as determined in accordance with Chinese accounting standards and regulations.

Under applicable PRC laws and regulations, our PRC subsidiaries and schools are each required to set aside a portion of its after tax profits each year to fund certain statutory reserves, and funds from such reserves may not be distributed to us as cash dividends except in the event of liquidation of such subsidiaries. These statutory limitations affect, and future covenant debt limitations might affect, our PRC subsidiaries' ability to pay dividends to us. We currently believe that such limitations will not impact our ability to meet our ongoing short-term cash obligations although we cannot assure you that such limitations will not affect our ability to meet our short-term cash obligations and to distribute dividends to our shareholders in the future.

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

	For the Year Ended December 31,				For the Six Months Ended June 30,		
	2014	2015	2016		2016	2017	
	RMB	RMB	RMB	US$	RMB	RMB	US$
				(thousands)			
Net cash generated from operating activities	25,045	163,720	240,083	35,414	120,818	255,057	37,623
Net cash used in investing activities	(46,777)	(38,233)	(42,544)	(6,276)	(217,028)	(318,172)	(46,932)
Net cash generated from/(used in) financing activities	3,920	98	(80,209)	(11,831)	(72,039)	(38,413)	(5,666)
Effect of foreign exchange rate changes on cash and cash equivalents	309	2,378	5,233	772	3,425	(1,439)	(213)
Net (decrease)/increase in cash and cash equivalents	(17,503)	127,963	122,563	18,079	(164,824)	(102,967)	(15,188)
Cash and cash equivalents at beginning of period	406,976	389,473	517,436	76,326	517,436	639,999	94,405
Cash and cash equivalents at end of period	389,473	517,436	639,999	94,405	352,612	537,032	79,217

Operating activities

Net cash generated from operating activities amounted to RMB255.1 million (US$37.6 million) for the six months ended June 30, 2017. The difference between our net income of RMB57.8 million (US$8.5 million) and

the net cash generated from operating activities was due to (i) an increase in deferred revenue and customer advances of RMB184.8 million (US$27.3 million), (ii) an adjustment of RMB29.4 million (US$4.3 million) in non-cash items, which mainly consisted of depreciation and amortization expense of RMB24.6 million (US$3.6 million), (iii) an increase in accrued expenses and other current liabilities of RMB8.6 million (US$1.3 million), partially offset by an increase in prepayments and other current assets of RMB11.1 million (US$1.6 million) for prepayment to certain suppliers and rental expenses. Deferred revenue and customer advances mainly consists of the upfront tuition fee payments from students and initial franchise fees from our franchise partners, which increased for the six months ended June 30, 2017 primarily due to an increased number of student enrollments and increased number of newly opened franchised learning centers as our business expanded.

Net cash generated from operating activities amounted to RMB240.1 million (US$35.4 million) in 2016. The difference between our net income of RMB50.8 million (US$7.5 million) and the net cash generated from operating activities was due to (i) an increase in deferred revenue and customer advances of RMB111.4 million (US$16.4 million), (ii) an adjustment of RMB65.1 million (US$9.6 million) in non-cash items, which mainly consisted of depreciation and amortization expense of RMB69.8 million (US$10.3 million), partially offset by deferred income tax benefit of RMB4.8 million (US$0.7 million), (iii) an increase in income taxes payable of RMB18.0 million (US$2.6 million) and (iv) an increase in accrued expenses and other current liabilities of RMB20.5 million (US$3.0 million), partially offset by an increase in prepayments and other current assets of RMB16.8 million (US$2.5 million) for prepayment to certain suppliers and rental expenses. Deferred revenue and customer advances mainly consists of the upfront tuition fee payments from students and initial franchise fees from our franchise partners, which increased in 2016 primarily due to an increased number of student enrollments and increased number of newly opened franchised learning centers as our business expanded. Depreciation and amortization in 2016 consisted mainly of amortization of certain intangible assets acquired as part of the 2013 acquisition.

Net cash generated from operating activities amounted to RMB163.7 million in 2015. The difference between our net loss of RMB31.7 million and the net cash generated from operating activities was due to (i) an increase in deferred revenue and customer advances of RMB105.5 million and (ii) an adjustment of RMB80.0 million in non-cash items, which mainly consisted of depreciation and amortization expense of RMB91.5 million primarily due to the 2013 acquisition, partially offset by deferred income tax benefit of RMB12.0 million. Deferred revenue and customer advances increased in 2015 primarily due to increased number of student enrollments and increased number of newly opened franchised learning centers as our business expanded.

Net cash generated from operating activities amounted to RMB25.0 million in 2014. The difference between our net loss of RMB72.7 million and the net cash generated from operating activities was due to (i) an adjustment of RMB78.1 million in non-cash items, which mainly consisted of depreciation and amortization expense of RMB100.3 million primarily due to the 2013 acquisition and deferred income tax benefit of RMB22.3 million, (ii) an increase in deferred revenue and customer advances of RMB23.3 million and (iii) a decrease in prepayments and other current assets of RMB9.2 million, partially offset by an increase in other non-current assets of RMB10.2 million for lease deposits paid for self-owned learning centers. Deferred revenue and customer advances increased in 2014 primarily due to increased number of student enrollments and increased number of newly opened franchised learning centers as our business expanded.

Investing activities

Net cash used in investing activities amounted to RMB318.2 million (US$46.9 million) for the six months ended June 30, 2017. This was primarily attributable to the (i) purchase of short-term investments of RMB290.0 million (US$42.8 million), (ii) loans to a related party of RMB150.0 million (US$22.1 million) and (iii) purchase of property and equipment of RMB25.9 million (US$3.8 million) and purchase of intangible assets of RMB2.3 million (US$0.3 million) as we opened new self-owned learning centers, partially offset by proceeds from maturity of short-term investments of RMB150.0 million (US$22.1 million).

Net cash used in investing activities amounted to RMB42.5 million (US$6.3 million) in 2016. This was primarily attributable to the (i) purchase of property and equipment of RMB35.5 million (US$5.2 million) and (ii) purchase of intangible assets of RMB8.3 million (US$1.2 million), as we opened new self-owned learning centers.

Net cash used in investing activities amounted to RMB38.2 million in 2015. This was primarily attributable to the (i) purchase of short-term investments of RMB308.0 million, (ii) purchase of property and equipment of RMB35.0 million and (iii) purchase of intangible assets of RMB8.4 million, as we opened new self-owned learning centers, partially offset by the proceeds from maturity of short-term investments of RMB313.0 million.

Net cash used in investing activities amounted to RMB46.8 million in 2014. This was primarily attributable to the (i) purchase of short-term investments of RMB397.5 million, (ii) purchase of property and equipment of RMB36.4 million and (iii) purchase of intangible assets of RMB4.2 million, as we opened new self-owned learning centers, partially offset by the proceeds from maturity of short-term investments of RMB391.5 million.

Financing activities

Net cash used in financing activities amounted to RMB38.4 million (US$5.7 million) for the six months ended June 30, 2017, primarily attributable to an increase in restricted cash of RMB38.4 million (US$5.7 million).

Net cash used in financing activities amounted to RMB38.2 million (US$5.6 million) in 2016, primarily attributable to distribution of RMB426.0 million (US$62.8 million) to our shareholders and an increase in restricted cash of RMB11.1 million (US$1.6 million), partially offset by the proceeds of RMB356.9 million (US$52.6 million) from a loan facility with CTBC Bank Co., Ltd. incurred in 2016.

Net cash generated from financing activities amounted to RMB0.1 million in 2015 and RMB3.9 million in 2014, primarily attributable to the capital injection from a non-controlling interest shareholder.

Long-term loan

In July 2016, RISE Education Cayman I Ltd, our wholly-owned subsidiary, entered into a US$55.0 million loan facility agreement with CTBC Bank Co. Ltd. as the lender, which was amended and restated in September 2017 to a long-term facility of US$110.0 million, including the outstanding balance of US$49.5 million under the original loan facility, and a short-term facility of US$30.0 million. The long-term facility is guaranteed by Rise IP, Rise HK, the WFOE and the VIE. Rise HK also pledged its equity interests in the WFOE in favor of the lender as security for the long-term facility. We have registered the guarantee provided by the WFOE with SAFE. We did not register the guarantee provided by our VIE with SAFE pursuant to a waiver for such registration granted by the lender. In addition, we have deposited a certain amount of cash in a designated bank account as security for the interest payments under the long-term facility.

We drew down both facilities in full in September 2017. The new proceeds made available under the September 2017 amendment were primarily used to pay a US$87.0 million dividend to our shareholders in September 2017. Pursuant to the loan facility agreement, we must repay the short-term facility in full within ten business days of the completion of an initial public offering, which we intend to use a portion of the proceeds of this offering to do. See “Use of Proceeds.” The maturity date of the long-term facility is five years from the drawdown date. According to the repayment schedule, US$8.25 million, US$13.75 million US$19.25 million, US$24.75 million and US$44.0 million are to be repaid by each respective anniversary from the drawdown date. The interest rate under the long-term facility is the sum of the London interbank offered rate plus a certain margin, of which the margin decreases as our leverage ratio (which is defined as the ratio of total net debt as of the last date of the relevant period to adjusted EBITDA in respect of the relevant period) decreases. As of the date of this prospectus, the interest rate is 4.81%. We will repay the first installment in September 2018. We

intend to repay the long-term facility through dividends paid by Rise HK and Rise IP, both of which are wholly-owned by RISE Education Cayman I Ltd, the borrower under the loan facility agreement. These entities receive license and service fees from the WFOE and the VIE pursuant to the license agreements and the consulting service agreements. As such payments come from the respective current accounts of our WFOE and VIE, they are generally not restricted under PRC law. See "Regulations—Regulations Related to Foreign Exchange."

We maintained deposits held in a designated bank account as security for interest payments amounting to US$7.3 million as of June 30, 2017.

Capital expenditures

Our capital expenditures amounted to RMB40.6 million, RMB43.4 million, RMB43.8 million (US$6.5 million) and RMB28.2 million (US$4.2 million) in 2014, 2015 and 2016 and for the six months ended June 30, 2017, respectively, for purchases of property and equipment and intangible assets, such as course materials and software, as we expanded existing and opened new self-owned learning centers. We will continue to make capital expenditures to meet the expected growth of our business and expect that cash generated from our operating activities and financing activities will meet our capital expenditure needs in the foreseeable future.

Contractual Obligations

The following table sets forth our contractual obligations as of June 30, 2017.

	Payment Due by Period				
	Total	Less Than 1 Year	2-3 Years	4-5 Years	More Than 5 Years
	(RMB in thousands)				
Operating lease obligations[1]	592,922	134,377	223,696	132,103	102,746

(1) Represented future minimum lease payments under non-cancelable operating leases in connection with the leases of offices and self-owned learning centers.

In addition, as of June 30, 2017, we had commitments for the construction of leasehold improvements associated with self-owned learning centers of RMB3.7 million (US$0.5 million), which are expected to be paid within one year.

Other than the above, we did not have any significant capital and other commitments, long-term obligations, or guarantees as of June 30, 2017.

Internal Control Over Financial Reporting

Prior to this offering, we were a private company with limited accounting personnel and other resources to address our internal control over financial reporting. In connection with the audit of our consolidated financial statements for the years ended December 31, 2014, 2015 and 2016 and as of December 31, 2015 and 2016, we and our independent registered public accounting firm identified one material weakness as of December 31, 2016, in accordance with the standards established by PCAOB. As defined in standards established by the PCAOB, a "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness identified relates to our lack of requisite knowledge of United States generally accepted accounting principles and SEC rules. Neither we nor our independent registered public accounting firm undertook a comprehensive assessment of our internal control over financial reporting under the Sarbanes-Oxley

Act for purposes of identifying and reporting any weakness or significant deficiency in our internal control over financial reporting, as we and they will be required to do once we become a public company. Had we performed a formal assessment of our internal control over financial reporting or had our independent registered public accounting firm performed an audit of our internal control over financial reporting, additional control deficiencies may have been identified.

To remedy our identified material weakness, we will adopt several measures that will improve our internal control over financial reporting, including: (i) recruiting additional experienced personnel with relevant past experience working on U.S. GAAP and the SEC reporting; (ii) conducting regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel, including sending our financial staff to attend external U.S. GAAP training courses; (iii) improving monitoring and oversight controls for non-recurring and complex transactions to ensure the accuracy and completeness of financial reporting; and (iv) updating and enhancing our accounting policy manual for our financial reporting personnel for recurring, non-recurring and complex transactions, and period-end closing processes.

We expect to complete the measures above as soon as practicable and we will continue to implement measures to remedy our internal control deficiencies in order to meet the deadline imposed under Section 404 of the Sarbanes-Oxley Act. The process of designing and implementing an effective financial reporting system is a continuous effort that requires us to anticipate and react to changes in our business and the economic and regulatory environments and to expend significant resources to maintain a financial reporting system that is adequate to satisfy our reporting obligations. If we fail to develop or maintain an effective system of internal controls over our financial reporting, we may not be able to accurately report our financial results, prevent fraud or meet our reporting obligations. As a result, investor confidence and the market price of our shares may be materially and adversely affected. See “Risk Factors—Risks Related to Our Business—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud.”

Holding Company Structure

We are a holding company with no material operations of our own. We conduct our operations primarily through our subsidiaries and our VIE and its subsidiaries and schools in China. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries, which in turn depends on the service and license fees paid to Rise HK and the WFOE by the VIE and its schools. As we invest in and expand our PRC operations in the future, Rise HK and the WFOE will continue to rely on service and license fees from our VIE and the schools and we will rely on dividends from Rise HK and the WFOE for our cash needs. Furthermore, if our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

The table below sets forth the respective revenue contributions of (i) our company and our Cayman Island subsidiaries, (ii) Rise HK, (iii) our WFOE and (iv) our VIE and its subsidiaries and schools for the periods indicated as a percentage of revenues:

	Revenues				
	For the Year Ended December 31,			For the Six Months Ended June 30,	
	2014	2015	2016	2016	2017
Our company and our subsidiaries					
Our company and Cayman Island subsidiaries	—	—	—	—	—
Rise HK	—	—	—	—	—
WFOE	3%	5%	5%	5%	5%
Our VIE and its subsidiaries and schools	97%	95%	95%	95%	95%
Total Revenues	**100%**	**100%**	**100%**	**100%**	**100%**

The table below sets forth the amount of (i) license fees paid to our Cayman Island subsidiaries by our WFOE and VIE pursuant to the license agreements, (ii) service fees paid to Rise HK by our VIE pursuant to the consulting service agreement, and (iii) service fees paid to our WFOE by our VIE and its subsidiaries and schools pursuant to the service agreement, license agreements and comprehensive service agreements for the periods indicated:

	For the Year Ended December 31,		For the Six Months Ended June 30,		
	2015	2016	2016	2017	2017
	RMB	RMB	RMB	RMB	US$
			(thousands)		
License fees paid to our Cayman Islands subsidiaries	10,289	19,251	11,694	7,270	1,072
Service fees paid to Rise HK*	—	—	—	5,813	857
Service fees paid to our WFOE	85,837	225,610	35,282	116,528	17,189

* For the years ended December 31, 2015 and 2016, service fees under the consulting service agreement were paid directly to our WFOE.

Our subsidiaries including WFOE did not pay any dividends to our company in 2014, 2015, 2016 and the six months ended June 30, 2017.

All our operations are based in the PRC. Our assets are located in the PRC, Hong Kong and Cayman Islands. The table below sets forth the respective asset contributions of (i) our company and our Cayman Island subsidiaries, (ii) Rise HK, (iii) our WFOE and (iv) our VIE and its subsidiaries and schools as of the dates indicated as a percentage of total assets:

	Total Assets		
	As of December 31,		As of June 30,
	2015	2016	2017
Our company and our subsidiaries			
Our company and Cayman subsidiaries	36%	34%	30%
Rise HK	—	1%	1%
WFOE	11%	16%	40%
Our VIE and its subsidiaries and schools	53%	49%	29%
Total Assets	**100%**	**100%**	**100%**

We generally keep cash generated from tuition and fees by our self-owned learning centers in their respective accounts at the end of each year for regulatory inspection purposes, while we transfer cash to the WFOE where it is centrally managed during the year. As a result, the percentage of total assets held by our WFOE was only 16% as of December 31, 2016 as compared to 40% as of June 30, 2017, while the percentage held by our VIE and its subsidiaries and schools changed from 49% to 29% as of the same dates.

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make estimates and assumptions that affect our reporting of, among other things, assets and liabilities, contingent assets and liabilities and revenues and expenses. Our estimates and judgments include valuation allowance for deferred tax assets, uncertain tax positions, economic lives and impairment of long-lived assets, impairment of goodwill, estimating the best estimate selling price of each deliverable in our revenue arrangements, and share-based compensation. We regularly evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and other factors that we believe to be relevant under the circumstances. Since our financial reporting process inherently relies on the use of estimates and assumptions, our actual results could differ from what we expect. This is especially true with some accounting policies that

require higher degrees of judgment than others in their application. We consider the policies discussed below to be critical to an understanding of our audited consolidated financial statements because they involve the greatest reliance on our management's judgment.

Revenue Recognition

We recognize revenue when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, the selling price is fixed or determinable and collection is reasonably assured. Our business is subject to business tax, value added taxes and tax surcharges assessed by governmental authorities. Pursuant to ASC 605-45, Revenue Recognition—Principal Agent Considerations, we elected to present business tax, value added taxes and tax surcharges as a reduction of revenues on the consolidated statements of (loss)/income. We include payments received before all of the relevant criteria for revenue recognition are satisfied in the deferred revenue and customer advances line item in the consolidated balance sheets. The primary sources of our revenues are as follows:

Educational programs

Educational programs include English courses and related course materials. In accordance with ASC subtopic 605-25, Revenue Recognition: Multiple-Deliverable Revenue Arrangements, or ASC 605-25, we evaluate all the deliverables in the arrangement to determine whether they represent separate units of accounting. For the arrangements with deliverables to be considered a separate unit of accounting, we allocate the total consideration of the arrangement based on their relative selling price, with the selling price of each deliverable determined using vendor-specific objective evidence, or VSOE, of selling price, third-party evidence, or TPE, of selling price, or management's best estimate of the selling price, or BESP, and recognize revenue as each deliverable is provided. In determining BESP for each deliverable, we considered our overall pricing model and objectives, as well as market or competitive conditions that may impact the price at which we would transact if the deliverable were sold regularly on a standalone basis. We monitor the conditions that affect our determination of selling price for each deliverable and reassesses such estimates periodically.

Course fees are collected in full in advance of the commencement of each course and each course is comprised of a fixed amount of classes. We recognize course revenue ratably as the classes for the related course are delivered to the students. Students are allowed to return course materials if they are unused. However, once the student attends the first class of the respective course, course materials cannot be returned. Therefore, we recognize revenue from the sale of course materials when the student attends the first class of the respective course. The amounts recognized for each deliverable is limited to the amount that is not contingent upon the delivery of additional deliverables or meeting other specified performance conditions.

According to local education bureau regulations, depending on a school's location and the amount of classes remaining for a tutoring course, we may be required to refund course fees for any remaining undelivered classes to students who withdraw from a course. We record the refund as a reduction of the related course fees received in advance and has no impact on recognized revenue. Refunds on recognized revenue were insignificant for all periods presented.

We may issue promotional coupons to attract enrollment for our courses. The promotional coupons are not issued in conjunction with a concurrent revenue transaction and are for a fixed Renminbi amount that can only be redeemed to reduce the amount of the tuition fees for future courses. We account for the promotional coupons as a reduction of revenue when the corresponding revenue is recognized in accordance with ASC 605-50-45-2.

Franchise revenues

Franchise revenues include initial franchise fees, which are non-refundable and recognized as revenue when substantially all services or conditions relating to the initial franchise fee have been performed, which is

generally when a franchise partner commences its operations under the RISE brand. The services to be performed under our franchise agreements to earn the initial franchise fees comprise of (i) authorizing franchise partners to use the RISE brand and our courseware, and (ii) initial setup services, including assisting with site selection and marketing strategy, training of franchisee management and teachers. Our franchise agreements do not include guarantees or other forms of financial assistance, refund provisions or options to repurchase franchises from franchisees. Initial franchise fees are deferred and recorded as "deferred revenue and customer advances" until these commitments and obligations have been performed, which is upon the franchisee commencing its operations under the RISE brand. We also receive recurring franchise fees from our franchise partners, which are based on a fixed percentage of the franchise partner's course fees and proceeds from the sale of related course materials. We recognize the recurring franchise fees as franchise revenues as the fees are earned and realized.

Other revenues

Other revenues comprises mainly of the provision of overseas study tours. We bear the risks and rewards, including customer acceptance of the services and have the right to unilaterally determine and change the study tour itinerary. We also set the study tour prices charged to customers and independently select the travel service suppliers. Therefore, we are the primary obligor of the study tour service arrangement and recognize revenue on a gross basis. We recognize revenue from study tour services once the organized tour is completed in its entirety.

Consolidation of VIE

Our consolidated financial statements include the financial statements of our holding company, our subsidiaries and our VIE and its subsidiaries and schools for which one of our subsidiaries is the primary beneficiary. All significant inter-company transactions and balances between us, our subsidiaries and our VIE and its subsidiaries and schools are eliminated upon consolidation.

PRC laws and regulations currently require any foreign entity that invests in the education industry in China to be an educational institution with relevant experience in providing educational services outside China. Our offshore holding companies are not educational institutions and do not provide educational services outside China. Accordingly, our offshore holding companies are not allowed to directly engage in the education industry in China. To comply with PRC laws and regulations, we conduct all of our junior ELT business in China through our VIE, namely Beijing Step Ahead and its subsidiaries and schools. Our VIE and its subsidiaries and schools hold the requisite licenses and permits necessary to conduct our junior ELT business. In addition, our VIE and its subsidiaries and schools hold leases and other assets necessary to operate our schools, employ teachers and generate substantially all of our revenues. Despite the lack of technical majority ownership, we have effective control of our VIE through a series of contractual arrangements, and a parent-subsidiary relationship exists between us and our VIE. The equity interests of our VIE are legally held by PRC individuals, or the nominee shareholders. Through the contractual agreements, the nominee shareholders of our VIE effectively assigned all their voting rights underlying their equity interests in our VIE to us, and therefore, we have the power to direct the activities of our VIE that most significantly impact its economic performance. We also have the right to receive economic benefits from our VIE that potentially could be significant to our VIE. Based on the above, we consolidate our VIE in accordance with SEC Regulation SX-3A-02 and ASC810-10, Consolidation: Overall.

In November 2016, certain contractual agreements were supplemented to reflect a change in one of the nominee shareholders designated by Rise HK; and it was resolved that Rise HK through our WFOE held the irrevocable proxy to exercise all the voting rights of the shareholders of our VIE since the proxy agreement was in existence. As a result, Rise HK has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and is the primary beneficiary of the VIE.

For more information on consolidation of our VIE, see Note 1 to our audited consolidated financial statements appearing elsewhere in this prospectus.

Share-based Compensation

We apply ASC 718, Compensation—Stock Compensation ("ASC 718"), to account for our employee share-based payments. In accordance with ASC 718, we determine whether an award should be classified and accounted for as a liability award or an equity award. We classified all our share-based awards to employees as equity awards.

In accordance with ASC 718, we recognize share-based compensation cost for equity awards to employees with a performance condition based on the probable outcome of that performance condition—we recognize compensation cost if it is probable that the performance condition will be achieved and we will not recognize compensation if it is not probable that the performance condition will be achieved.

In accordance with ASC 718, we reflect the effect of a market condition in the grant-date fair value of the granted equity awards. We recognize share-based compensation cost for equity awards with a market condition provided that the requisite service is rendered, regardless of when, if ever, the market condition is satisfied.

We account for any a change in any of the terms or conditions of the awards as a modification of the award. When the vesting conditions (or other terms) of the equity awards granted to employees are modified, we first determine on the modification date, whether the original vesting conditions were expected to be satisfied, regardless of the entity's policy election for accounting for forfeitures. If the original vesting conditions are not expected to be satisfied, the grant-date fair value of the original equity awards are ignored and the fair value of the equity award measured at the modification date is recognized if the modified award ultimately vests.

We use the accelerated method for all awards granted with graded vesting service conditions, and the straight-line method for awards granted with non-graded vesting service conditions. We early adopted Accounting Standard Update ("ASU") ASU 2016-09—*Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* on January 1, 2014 and elected to account for forfeitures as they occur. The adoption of this guidance had no impact as no share-based compensation expense was recognized during the periods presented. With the assistance of an independent third party valuation firm we determined the fair value of the stock options granted to employees. We used the binomial option pricing model in determining the estimated fair value of the options granted to employees.

We approved the ESOP Plan in 2016. Under the ESOP Plan, we can grant options to our eligible employees, directors and officers for the purchase of up to 7,000,000 ordinary shares (excluding any shares which have lapsed or have been forfeited). The options are exercisable only upon the event of an initial public offering or change of control, each or collectively, the exercisability event. The exercisability event constitutes a performance condition that is not considered probable until the completion of the initial public offering or change of control. We will not recognize any compensation expense until the exercisability event occurs. Upon the occurrence of the exercisability event, the effect of the change in this estimate will be accounted for in the period of change by cumulative compensation cost recognition as if the new estimate had been applied since the service inception date, with the remaining unrecognized compensation cost amortized over the remaining requisite service period.

In September 2016, we resolved to modify substantially all of the options under the ESOP Plan such that all recipients of the options need to remain in service with us until October 1, 2017, October 1, 2018, October 1, 2019, or October 1, 2020, or the options (both vested and unvested portions) will be forfeited. As of the modification date, the original performance condition of the options was not expected to be satisfied, therefore, the modification-date fair value of the options instead of the original grant-date fair value will be used to measure the modified options once they ultimately vest.

The following table summarizes our equity award activity under the ESOP Plan as of December 31, 2016:

	As of December 31, 2016
Number of options granted	5,985,000
Number of options forfeited	—
Number of options outstanding	5,985,000
Weighted-average exercise price (US$)	1.44
Weighted-average modification-date fair value (US$)(1)	N/A
Weighted-average remaining contractual term	7.91
Aggregate intrinsic value(2)	10,683

(1) No awards vested during 2016 and for the six months ended June 30, 2017. We have not granted any new options since December 31, 2016.
(2) The aggregate intrinsic value in the table above represents the difference between the fair value of our ordinary share as of June 30, 2017 and respective exercise price of the option. Total intrinsic value of options exercised for 2016 and for the six months ended June 30, 2017 was nil as no options were exercised.

No share-based compensation expense was recorded in respect of the ESOP Plan for the year ended December 31, 2016 and for the six months ended June 30, 2017 as the exercisability event has not occurred. As of June 30, 2017, there was US$11.9 million of total unrecognized employee share-based compensation expenses, related to unvested share-based awards. Total unrecognized compensation cost may be adjusted for actual forfeitures occurring in the future.

Fair Value of Our Share Options

We estimate the fair value of share options with market conditions using the Monte Carlo simulation model and all other share options using the binomial option-pricing model with the assistance of an independent third party appraiser. The models require the input of highly subjective assumptions including the estimated expected share price volatility and the share price upon which our employees are likely to exercise share options, or the exercise multiple. We historically have been a private company and lack information on our share price volatility. Therefore, we estimate our expected share price volatility based on the historical volatility of a group of similar companies that are publicly-traded. When selecting these public companies on which we have based our expected share price volatility, we selected companies with characteristics similar to us, including the invested capital's value, business model, risk profiles, position within the industry, and with historical share price information sufficient to meet the contractual life of our share options. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own share price becomes available. For the exercise multiple, as a private company, we were not able to develop an exercise pattern as reference, thus the exercise multiple is based on management's estimation, which we believe is representative of the future exercise pattern of the options. The risk-free interest rates for the periods within the contractual life of the option are based on the U.S. Treasury yield curve in effect during the period the options were granted.

The assumptions we adopted to estimate the fair value of share options were as follows:

	As of December 31, 2016
Risk-free interest rate	1.92%-2.23%
Expected volatility range	48.1%-50.7%
Suboptimal exercise factor	2.8
Fair value per ordinary share as at valuation date	US$3.10-$3.26

These assumptions represented our best estimates, but the estimates involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use significantly different assumptions or estimates when valuing our share options, our share-based compensation expense could be materially different.

We are also required to estimate the fair value of the ordinary shares underlying our share options when performing the fair value calculations with the binomial option model with the assistance of an independent third party appraiser, we estimated the fair value of our ordinary shares at each respective grant date and modification date. We performed the valuations of our ordinary shares using methodologies, approaches and assumptions consistent with the American Institute of Certified Public Accountants Audit and Accounting Practice Aid Series: Valuation of Privately-Held-Company Equity Securities Issued as Compensation, or the AICPA Practice Guide. The fair value of our ordinary shares at the modification date was valued using a combination of income approach (discounted cash flow method) and market approach.

Once public trading market of the ADSs has been established in connection with the completion of this offering, it will no longer be necessary for us to estimate the fair value of our ordinary shares in connection with our accounting for granted share options.

Income taxes

We follow the liability method of accounting for income taxes in accordance with ASC 740, Income Taxes, or ASC 740. Under this method, we determine deferred tax assets and liabilities based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. We record a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in tax expense in the period that includes the enactment date of the change in tax rate.

We accounted for uncertainties in income taxes in accordance with ASC 740. Interest and penalties arising from underpayment of income taxes shall be 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 (loss)/income as income tax expense.

In accordance with the provisions of ASC 740, we recognize in our consolidated 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 the “other non-current liabilities” line item in the accompanying consolidated financial statements 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 statute of limitations. The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, we record adjustments, if any, in our consolidated 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. We recognize changes in recognition and measurement estimates in the period in which the changes occur.

As of December 31, 2015 and 2016 and June 30, 2017, we had unrecognized tax benefits of RMB8.8 million, RMB9.1 million (US$1.3 million) and RMB8.2 million (US$1.2 million), of which RMB1.1 million, RMB0.9 million (US$0.1 million) and RMB0.9 million (US$0.1 million) were offset against the deferred tax assets on tax losses carry forward, and the remaining amount of RMB7.8 million, RMB8.2 million (US$1.2 million) and RMB7.3 million (US$1.1 million) which if ultimately recognized, would impact the effective tax rate.

Off-Balance Sheet Commitments and Arrangements

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

Taxation

Cayman Islands

We are incorporated in the Cayman Islands and our primary business operations are conducted through our subsidiaries and our VIE and its subsidiaries and schools. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains arising in Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

Hong Kong

Our wholly owned subsidiary in Hong Kong, Rise HK, is subject to Hong Kong profits tax on its activities conducted in Hong Kong at a uniform tax rate of 16.5%. Payments of dividends by our subsidiary in Hong Kong to us are not subject to withholding tax in Hong Kong.

PRC

Our WFOE, VIE and its subsidiaries and schools are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC Enterprise Income Tax Law, or EIT Law. Pursuant to the EIT Law, which became effective on January 1, 2008 and was amended on February 24, 2017, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to value-added tax at a rate of 6% on the services we provide. Tax payable amount of value-added tax relating to the services we provide was the output tax amount in a tax period minus input tax amount in the same period. Pursuant to Circular No. 68 which was promulgated on June 18, 2016, our schools are subject to a simple value-added tax collection method and many of our schools are subject to value-added tax at a rate 3%. We are also subject to surcharges on value-added tax payments in accordance with PRC law.

As a Cayman Islands holding company, we may receive dividends from our PRC subsidiary through Rise HK. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements issued by the State Administration of Taxation on February 20, 2009, or SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Non-Resident Taxpayers to Enjoy

Treatment under Tax Treaties, or SAT Circular 60, which became effective on November 1, 2015. SAT Circular 60 provides that non-resident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, non-resident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, Rise HK may be able to benefit from the 5% withholding tax rate for the dividends it receives from the WFOE, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to SAT Circular 81 and SAT Circular 60, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Risk Factors—Risks Related to Doing Business in China—Under the PRC Enterprise Income Tax Law, or the EIT Law, we may be classified as a PRC 'resident enterprise,' which could result in unfavorable tax consequences to us and our non-PRC shareholders."

Quantitative and Qualitative Disclosure about Market Risks

Foreign Exchange Risk

Foreign currency risk arises from future commercial transactions and recognized assets and liabilities. A significant portion of our revenue-generating transactions and expense-related transactions are denominated in Renminbi, which is the functional currency of our subsidiaries, VIE and its subsidiaries in China. Therefore, we have limited exposure to foreign exchange risk for operational activity. However, we have a long term outstanding loan denominated in U.S. Dollars and we do not hedge against currency risk for the repayment of this loan.

The change in value of the Renminbi against the U.S. Dollar and other currencies is affected by various factors such as changes in political and economic conditions in the PRC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the Renminbi to the U.S. Dollar, and the Renminbi appreciated more than 20% against the U.S. Dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the Renminbi and the U.S. Dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. Dollar, at times significantly and unpredictably. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the Renminbi and the U.S. Dollar in the future.

To the extent that we need to convert U.S. Dollars into Renminbi for our operations, appreciation of Renminbi against the U.S. Dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. Dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debt, or for other business purposes, appreciation of the U.S. Dollar against the Renminbi would reduce the U.S. Dollar amounts available to us.

As of June 30, 2017, we had Renminbi-denominated cash and cash equivalents and restricted cash of RMB447.2 million (US$66.0 million). A 10% depreciation of the Renminbi against the U.S. Dollar based on the foreign exchange rate on June 30, 2017 would result in a decrease of US$6.6 million in cash and cash equivalents and restricted cash.

Credit Risk

We are exposed to credit risk from our financial assets, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. Our objective is to seek continual

revenue growth while minimizing losses incurred due to increased credit risk exposure. Financial instruments that potentially subject us to significant concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments and restricted cash. As of June 30, 2017, substantially all of our cash and cash equivalents, short-term investments and restricted cash were deposited with financial institutions, which we believe are of high credit quality and continually monitoring the credit worthiness of these financial institutions.

Interest Rate Risk

We are exposed to interest rate risk related to our outstanding long-term loan. The interest rate of the long-term loan was mainly based on the three month London Interbank Offered Rate and a pre-determined margin. A hypothetical 1% increase or decrease in annual interest rates would increase or decrease interest expense by approximately RMB3.7 million (US$0.5 million) per year based on our debt level as of June 30, 2017.

Our exposure to interest rate risk also relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. However, our future interest income may fall shorter of expectations due to changes in market interest rates.

Inflation Risk

Our revenues were generated in China in 2014, 2015 and 2016 and for the six months ended June 30, 2017. Inflation did not have a material impact on our results of operations. According to the National Bureau of Statistics of China, inflation as measured by the consumer price index in China was 2.0%, 1.4%, 2.1% and 1.5% in 2014, 2015 and 2016 and for the six months ended June 30, 2017, respectively. Although we have not been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

Recent Accounting Pronouncements

Please see a detailed discussion in Note 2 to our consolidated financial statements included elsewhere in this prospectus.

OUR INDUSTRY

Introduction to China's Education System

The education system in China consists of education in school and after-school settings. School education includes preschool, elementary school, middle school, high school and university. After-school education refers to all educational courses taken outside of school, and is increasingly prevalent as it offers a variety of training and learning programs that students can participate in at their discretion, based on personal interests and preferences.

Overview of China's Junior ELT Market

Junior ELT refers to after-school English training and tutoring services for students between the ages of three and 18. Many parents in China consider English to be an important language skill that is under-addressed in schools, as evidenced by increasing penetration and growth rates that are higher than the overall education industry. It is increasingly common for Chinese parents to enroll their children in junior ELT classes.

According to Frost & Sullivan, the number of students between the ages of three and 18 enrolled in schools in China is expected to grow to 229.2 million in 2021, representing a CAGR of 1.7% from 2016 to 2021. According to the same source, the number of students enrolled in junior ELT classes in China is expected to grow to 27.8 million in 2021, representing a CAGR of 9.4% from 2016 to 2021. Over the same period, the penetration rate of junior ELT in China, calculated by dividing the number of students enrolled in junior ELT classes in China by the number of students enrolled in school in China, is expected to grow to 12.1% in 2021, according to Frost & Sullivan. Over the same period, average spending in China's junior ELT market is expected to grow rapidly with gross billings growing to RMB239.8 billion by 2021, representing a CAGR of 23.0% from 2016 to 2021, according to Frost & Sullivan. In the premium segment specifically, gross billings is expected to grow to RMB22.8 billion by 2021, representing a CAGR of 23.0% from 2016 to 2021.

We believe the following factors have contributed to, and are expected to continue to fuel, the growth of the junior ELT market in China:

Favorable government policies

Two-child policy. The one-child policy had been the official population policy in China until its gradual phase-out in the early 2010s. Since 2011, the Chinese government has begun to lift the one-child policy gradually and implemented a two-child policy with certain exceptions. According to Frost & Sullivan, this new policy is expected to drive an increase of the total population of the 0-14 age group from 230.1 million in 2016 to 262.4 million in 2021, representing a CAGR of 2.7% from 2016 to 2021, compared to an overall expected population growth CAGR of 0.4% over the same period.

Amended Law on the Promotion of Private Education. On September 1, 2017, the Amended Law on the Promotion of Private Education came into effect, under which private schools will be able to elect to operate on a for-profit basis, and distribute profits to their investors. The amended law underpins the PRC government's support of private sector education and allows education service providers to legally operate profit-seeking schools for the first time. Under the amended law, for-profit schools will also enjoy full autonomy in setting tuition fees and stronger protection for asset ownership. See "Regulation—The Law for Promoting Private Education and Its Implementation Rules."

National Medium-to-Long Term Educational Reform and Development Plan. In 2010, the Chinese government announced the "National Medium-to-Long Term Educational Reform and Development Plan (2010-2020), which has set a strategic development plan, with key objectives to increase investment in education, support the development of private education and strengthen international communication and cooperation.

2017 College Entrance Exam Reforms. Beginning 2017, the PRC government implemented the college entrance exam reforms nationwide under which students will be given two attempts to take their English test during their high school years. As a result of this reform, the assessment for English proficiency will be more focused on students' English listening and speaking ability.

Supportive economic conditions in China

Growing disposable income. According to the National Bureau of Statistics of China, per capita annual disposable income of urban residents in China is expected to increase from RMB33,616.0 in 2016 to RMB48,619.6 in 2021, representing a CAGR of 7.7% from 2016 to 2021.

Growing per capita expenditure on education, cultural and recreational activities. According to Frost & Sullivan, per capita expenditure on education, cultural and recreational activities of urban residents in China is expected to grow from RMB2,638.0 in 2016 to RMB4,232.8 in 2021 at a CAGR of 9.9% from 2016 to 2021.

Strong cultural and societal emphasis on English education in China

Increasing interest in overseas education. According to Frost & Sullivan, an increasing number of Chinese students now pursue overseas education at younger ages. The proportion of Chinese students commencing undergraduate or lower levels of education overseas accounted for 64.5% of the total number of Chinese students commencing overseas study in 2016.

Chinese parents' shifting of preference. When considering ELT programs for their children, Chinese parents are gradually shifting their preference from more rigid, test-oriented learning programs to skill-oriented learning programs. Skill-oriented ELT refers to a holistic approach to develop comprehensive English language skills rather than a test-oriented approach that typically focuses on rote learning and testing skills. According to Frost & Sullivan, the skill-oriented junior ELT market increased from RMB9.3 billion in 2012 to RMB21.5 billion in 2016 in terms of gross billings, representing a CAGR of 23.3%, while the test-oriented ELT market increased from RMB33.7 billion to RMB63.7 billion from 2012 to 2016 in terms of gross billings, representing a CAGR of 17.3%. Going forward, the skill-oriented junior ELT market is expected to grow faster at a CAGR of 27.7% from 2016 to 2021, compared to the growth of the test-oriented junior ELT market at a CAGR of 21.2% from 2016 to 2021, further indicating parents' shift towards skill-oriented learning.

Increasing importance of English training. There are increasing education and language requirements for desirable employment opportunities. According to Frost & Sullivan, employees with fluent English skills have better career prospects and broader opportunities, and on average, have an estimated annual salary level of 81.1% higher than employees with average English skills. As such, parents tend to consider English proficiency as one of the key factors that will lead their children to greater future income and career opportunities. In addition, according to a survey conducted by Frost & Sullivan in 2017, 89% of students currently taking junior ELT classes are expected to continue junior ELT education for more than three years. These factors have contributed to, and are expected to continue to drive, the growth of junior ELT market.

Despite high growth, the penetration rate of China's junior ELT in 2016 remained relatively low at 8.4% compared to other East Asian countries such as Japan, which has a 35.2% penetration rate and South Korea, which has a 60.5% penetration rate for the junior ELT market. Even for tier-one cities in China, the penetration rate remains relatively low at 20.4%, indicating significant potential in market growth in China.

The junior ELT market in China is highly fragmented, with the top three players holding a combined 3.6% market share, with no single player holding market share greater than 1.5%, according to Frost & Sullivan. The top three providers in the junior ELT market in China include EF Kids, POP Kids and Rise. According to Frost & Sullivan, in 2016, we accounted for approximately 1% of market share of junior ELT market in China in terms of gross billings. Based on a survey by Frost & Sullivan, parents prefer junior ELT providers with a strong brand, course content and structure as well as course offerings focused on English conversational ability.

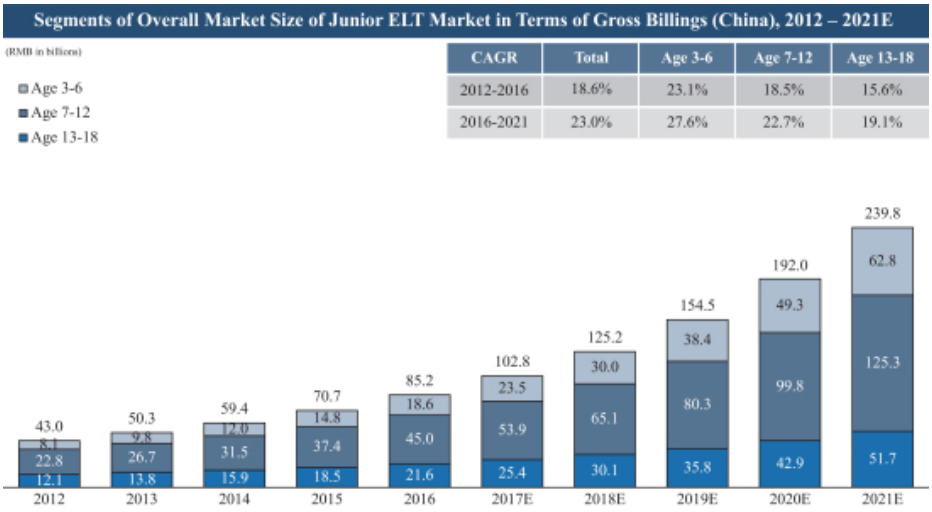
Additionally, there are several key success factors for junior ELT providers to consider in China, including:

High quality education courses and activities. Courses and activities are a major part of junior ELT education. Stimulating the intellectual curiosity of children and cultivating their learning habits significantly affects language development. In addition, Chinese parents increasingly focus on internationally-accredited, and systematic educational content with foreign cultural and language elements, especially if they can increase opportunities for overseas exposure.

Focus on immersive English experiences. Especially with young parents, an immersive English learning environment with conversation-focused learning and skill-based courses are gaining popularity. Such learning styles are believed to encourage students to speak and think in English, as opposed to traditional lecture or test-oriented courses which rely more on textbooks and are less contextual.

Proximity and traveling convenience of learning centers. Due to the constraints of traveling with young children, proximity and traveling convenience is an important consideration for parents. In addition, players with a wider network of centers are also favored, as they provide greater selection and flexibility.

The chart below illustrates the demographic split and relative market size and growth of each age segment within the junior ELT market:



Source: Frost & Sullivan

China's Age 3-6 ELT Market

Age 3-6 ELT provides English language training mainly for students in preschool. It is the fastest growing segment in junior ELT market in China with a high growth of 23.1% CAGR from 2012 to 2016. The age 3-6 ELT market has grown in terms of gross billings from RMB8.1 billion in 2012 to RMB18.6 billion in 2016, and is expected to grow to RMB62.8 billion in 2021, representing a CAGR of 27.6% from 2016 to 2021. In 2016, age 3-6 ELT represented 21.8% of the total junior ELT market, with age 7-12 ELT and age 13-18 ELT market each representing 52.8% and 25.4%, respectively. The penetration rate for age 3-6 ELT has increased from 10.0% in 2012 to 11.6% in 2016, and is expected to further increase to 15.5% in 2021.

There are specific factors that drive the age 3-6 ELT market. For example, the penetration rate of age 3-6 ELT education continues to increase as Chinese parents recognize the importance of early age ELT education.

Parents further recognize that younger kids learn language faster, develop better accents and obtain fluency more quickly. According to a survey conducted by Frost & Sullivan in 2017, 68.4% of children in China start learning English between the ages of three to six while another 10.8% of children start English education before age three. Moreover, public education resources can hardly accommodate parental demand, leaving great opportunities for private ELT providers. As students of this age group do not have pressure of taking exams, there is higher demand for skill-based environments relative to older age groups.

There are several key factors credited with success in the age 3-6 ELT market. For example, as children of this age group require more attention from teachers, parents may consider teachers' qualifications and characteristics. In addition, parents of children from the ages of three to six may also consider the safety and hygiene standard of the learning environment. Pre-school children usually have a more flexible schedule and tend to attend the whole-day class.

China's Age 7-12 ELT Market

Age 7-12 ELT mainly targets students in elementary school. Age 7-12 ELT is the largest segment in terms of gross billings in the junior ELT market in China. The age 7-12 ELT market has grown in terms of gross billings from RMB22.8 billion in 2012 to RMB45.0 billion in 2016, representing a CAGR of 18.5%, and is expected to grow to RMB125.3 billion in 2021, representing a CAGR of 22.7% from 2016 to 2021. The penetration rate has increased from 7.1% in 2012 to 9.3% in 2016, and is expected to further increase to 14.4% in 2021.

There are specific factors that drive the age 7-12 ELT market. Interest from Chinese students in studying abroad during middle school and high school is increasing. Students of age seven to twelve primarily enroll in ELT classes for skill-based learning rather than test-oriented learning. According to a survey conducted by Frost & Sullivan in 2017, only 18.0% of students aged seven to twelve take English classes for test preparation, while 82.0% take classes to improve their English skills.

Students in elementary school begin to adopt online offerings as they become more independent, and technology proficient. Lesson convenience becomes an increasingly important factor due to academic and other extracurricular commitments. A significant portion of age 7-12 ELT enrollment consists of students who have already taken ELT courses at an earlier age. Growth in the age 3-6 ELT market will drive the age 7-12 ELT market, as students with prior ELT experience continue their studies.

There are several factors that will contribute to the growth of the age 7-12 ELT market. For example, customers in the age 7-12 ELT market may also consider the convenience of lesson timings. As students in this age segment enroll in elementary school and other tutoring services, convenience of lesson timings becomes an important consideration.

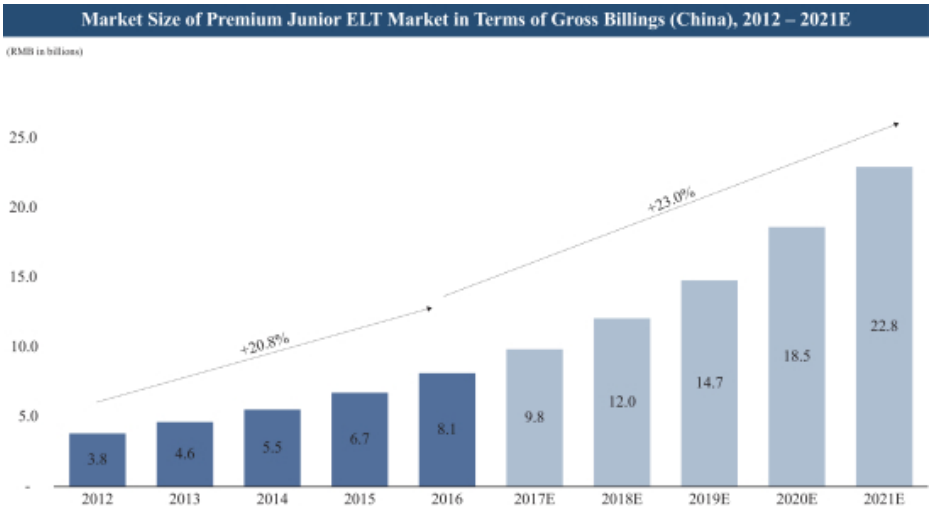
China's Age 13-18 ELT Market

Age 13-18 ELT provides English language training mainly for students in middle school or above. The age 13-18 ELT market has grown in terms of gross billings from RMB12.1 billion in 2012 to RMB21.6 billion in 2016, representing a CAGR of 15.6%, and is expected to grow to RMB51.7 billion in 2021, representing a CAGR of 19.1% from 2016 to 2021. The penetration rate for age 13-18 ELT has increased from 3.9% in 2012 to 5.1% in 2016, and is expected to further increase to 6.3% in 2021.

There are several factors that will contribute to the growth of the age 13-18 ELT market. For example, students from ages of 13 to 18 tend to prefer a flexible learning schedule and may have a preference for test-oriented ELT programs.

China's Premium Junior ELT Market

According to Frost & Sullivan, the junior ELT market can be divided into premium and non-premium segments based on the annual tuition fee, where premium providers offer products with annual fee above RMB16,000 per year.



Source: Frost & Sullivan

The premium segment within China's junior ELT market has been outgrowing the overall junior ELT market. The premium junior ELT market grew in terms of gross billings from RMB3.8 billion in 2012 to RMB8.1 billion in 2016, representing a CAGR of 20.8%, and is expected to grow to RMB22.8 billion in 2021, representing a CAGR of 23.0% from 2016 to 2021. In terms of enrollments, the number of students grew from 0.5 million in 2012 to 0.8 million in 2016, representing a CAGR of 14.6%, and is expected to grow to 1.6 million in 2021, representing a CAGR of 15.4% from 2016 to 2021.

As Chinese families earn higher disposable income, they are more willing to spend on education and hence prioritize ELT premium providers that offer higher teaching quality. However, the premium junior ELT market had a penetration rate of only 0.4% in 2016 according to Frost & Sullivan, indicating significant growth potential.

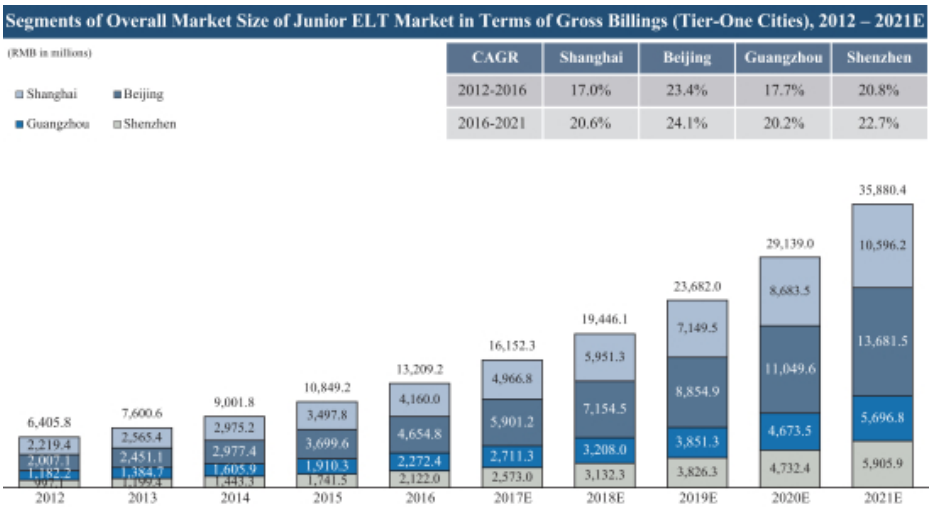
According to Frost & Sullivan, the top three providers in the premium junior ELT market in China are EF Kids, us and Disney English. According to Frost & Sullivan, in 2016, the top five players accounted for 36.3% of market share of the premium junior ELT market in China in terms of gross billings, and Rise alone accounted for 10.7%. According to a survey conducted by Frost & Sullivan in July 2017, Rise also ranked the first in terms of satisfaction of junior ELT institutions and ranked the third in terms of brand awareness.

China's Tier-One Cities Junior ELT Market

According to Frost & Sullivan, there were 1.5 million students enrolled in junior ELT market in tier-one cities in 2016. In terms of gross billings, tier-one cities combined had RMB13.2 billion, representing 15.5% of the total junior ELT gross billings in China.

Due to factors such as increasing urbanization, growing household income and appreciation of the value of high quality education, gross billings of the junior ELT market in tier-one cities are expected to grow to

RMB35.9 billion in 2021, representing a CAGR of 22.1% from 2016 to 2021. The table below illustrates the competitive landscape in tier-one cities:



Source: Frost & Sullivan

According to Frost & Sullivan, in 2016, the top three providers in the junior ELT market in tier-one cities in China as measured by gross billings were EF Kids, us and POP kids. According to Frost & Sullivan, in 2016, the top five players accounted for 21.9% of market share of the junior ELT market in tier-one cities in China in terms of gross billings, and Rise alone accounted for 5.9%. For the premium junior ELT market in tier-one cities, in 2016, the top five players accounted for 56.7% of the market share in terms of gross billings, and Rise alone accounted for 17.1%.

Furthermore, in 2016, the top three providers in the junior ELT market in Beijing as measured by gross billings were us, EF kids and Lily English according to Frost & Sullivan. According to Frost & Sullivan, in 2016, the top five players accounted for 30.1% of market share of the junior ELT market in Beijing in terms of gross billings, and Rise alone accounted for 11.4%. Rise also ranked second, fourth and second in terms of market share measured by gross billings in Shanghai, Guangzhou and Shenzhen, respectively, in 2016.

Self-Owned and Franchise Models

There are two popular models that junior ELT providers adopt, i.e., self-owned model and franchise model. The self-owned model is advantageous due to the consistency of learning center formats and delivery of course offerings, ability to maintain consistent branding, rigorous quality control, and a more coordinated business development plan. However, it also faces challenges such as relatively slower expansion due to capital expenditure requirements, lack of local expertise in new cities, and higher operating costs due to pressure on management. On the other hand, the franchise model is advantageous because of its asset light business model, relatively faster expansion, local expertise and light pressure on management. Nevertheless, it also faces different challenges, such as recruitment of quality franchise partners, quality control, fee growth, potential damage to brand reputation, and difficulty in securing additional revenue channels. More providers operate through the combination of self-owned and franchise models, good operating practices and quality control are required for successful execution.

BUSINESS

Overview

We operate in China's junior ELT market, which refers to after-school English teaching and tutoring services provided by training institutions to students aged three to 18. We are a leader in China's junior ELT market according to Frost & Sullivan, and we ranked second in 2016 with a market share of 10.7% in terms of gross billings in the premium segment. Furthermore, in 2016, we ranked first in the junior ELT market in Beijing with a market share of 11.4% and ranked second in the junior ELT market in tier-one cities with a market share of 5.9%, both in terms of gross billings according to Frost & Sullivan.

We pioneered the "subject-based learning" teaching philosophy in China, whereby various subject matters, such as language arts, math, natural science and social science are used to teach English. Our course offerings use interactive courseware to create an immersive English learning environment that helps students learn to speak and think like a native speaker. In addition, our curricula are designed to foster leadership and critical thinking skills in students while developing their self-confidence and sense of independence. This innovative and holistic approach to teaching English is increasingly attractive to Chinese parents who are looking for alternatives to traditional ELT programs in China, which are more test-oriented.

In 2016 and for the six months ended June 30, 2017, we had 36,173 and 26,600 student enrollments, respectively, in self-owned learning centers. We currently offer three flagship courses, namely Rise Start, Rise On and Rise Up, that are designed for students aged three to six, seven to twelve and 13 to 18, respectively. The curricula of Rise Start and Rise On use courseware that we have licensed from Houghton Mifflin Harcourt Publishing Company, or HMH, a leading American educational publisher, along with other self-developed content, while the curriculum of Rise Up is primarily based on our self-developed content. We also offer a number of complementary products to further enhance our students' learning experience, including Can-Talk, Rise Library Online, Rise Camp, Rise Workshop and Rise Overseas Study Tour.

We devote significant resources to curriculum development to ensure that our course offerings are up-to-date, engaging and effective. We also focus on teacher training through a set of rigorous and systematic processes and programs so that teachers in both self-owned learning centers and franchised learning centers are able to deliver our curricula at a level consistent with our standards. As of June 30, 2017 we had 1,315 teachers in self-owned learning centers. The quality of our course offerings and our unique teaching philosophy has helped us develop a strong and powerful brand that is attractive to parents.

Our business model is highly scalable. We have a network of both self-owned learning centers as well as franchised learning centers. As of June 30, 2017 we had a network of 246 learning centers across 80 cities in China, among which 56 were self-owned centers primarily located in tier-one cities and 190 centers were franchised learning centers primarily located in non-tier-one cities. We have enjoyed significant growth over the past few years. Our revenues increased from RMB529.5 million in 2015 to RMB711.0 million (US$104.9 million) in 2016, and increased from RMB315.0 million for the six months ended June 30, 2016 to RMB437.1 million (US$64.5 million) for the six months ended June 30, 2017, largely as a result of the growth of self-owned learning centers. As our network of learning centers has expanded, our brand has also strengthened. This has allowed us to maintain our position as a market leader, command premium pricing, improve profitability and enjoy a highly loyal customer base. In 2016, we had a 67% student retention rate, 63% higher than the industry average of 41%, according to Frost & Sullivan and our student retention rate improved further to 70% in the six months ended June 30, 2017. We recorded EBITDA of RMB40.8 million and RMB142.3 million (US$21.0 million) in 2015 and 2016, respectively, and RMB58.6 million and RMB109.6 million (US$16.2 million) for the six months ended June 30, 2016 and 2017, respectively. We recorded a net loss of RMB31.7 million in 2015 while we recorded net income of RMB50.8 million (US$7.5 million) in 2016, and we recorded a net income of RMB18.3 million and RMB57.8 million (US$8.5 million) for the six months ended June 30, 2016 and 2017, respectively.

Our Strengths

We believe the following competitive strengths contribute to our success and differentiate us from our competitors:

Leadership in an Attractive and Rapidly Growing Market

We are a leader in China's junior ELT market, which refers to after-school English teaching and tutoring services provided by training institutions to students aged three to 18. In 2016, we ranked third in China's junior ELT market in terms of gross billings, and ranked second in the premium segment with a market share of 10.7% in terms of gross billings, according to Frost & Sullivan. Furthermore, in 2016, we ranked first in the junior ELT market in Beijing with a market share of 11.4% and ranked second in the junior ELT market in tier-one cities with a market share of 5.9%, both in terms of gross billings according to Frost & Sullivan.

The China junior ELT market has grown rapidly in the last few years, from RMB43.0 billion in 2012 to RMB85.2 billion in 2016, representing a CAGR of 18.6%. This growth is expected to continue with the market reaching RMB239.8 billion by 2021, representing a CAGR of 23.0% from 2016 to 2021. Within ELT, the segment for children aged three to six is expected to grow the fastest, reaching RMB62.8 billion in 2021 at a CAGR of 27.6%, according to Frost & Sullivan.

A number of factors will contribute to the expected growth of the junior ELT market discussed above, including:

i) rising birth rate as a result of "two-child policy;"

ii) increasing population in large urban centers, in part due to migration;

iii) increase in average household income and the number of higher income families, particularly in larger cities;

iv) limited penetration of junior ELT across China;

v) favorable government policies that permit increased operational and pricing flexibility to support the growth of private-sector education enterprises;

vi) emphasis on and increased prevalence of English language instruction as part of school curriculum, partly due to continued focus on study-abroad opportunities, especially earlier in a child's life; and

vii) shifting focus to a holistic approach to develop comprehensive English language skills rather than a test-based approach, especially as a contextualized understanding of language becomes increasingly important.

Innovative and Unique Teaching Philosophy

The Chinese junior ELT market comprises test preparation providers who provide tutoring services for standardized tests such as TOEFL, SAT, SSAT and ACT, and skill-based ELT providers who typically focus on vocabulary, syntax, and grammar, and even some elements of test preparation. We are a skill-based ELT provider, but we adhere to our "subject-based learning" teaching philosophy, whereby we use a variety of subjects such as language arts, math, natural sciences and social sciences as the medium for English language teaching. We believe this teaching philosophy provides students with a natural and contextual understanding of English and as a result we have built all of our products around it.

As our products do not focus on test preparation, there is no natural end point for our curriculum other than an academic school year. This allows us to design our curricular to focus on the longer-term and overall development of students rather than more short-term milestones and accomplishments. We promote both project-based and cooperative approaches to learning that allow students to develop their critical thinking, problem solving and leadership skills. Parents have highlighted these aspects as key attractions when choosing ELT products for their children, according to a survey conducted by Frost & Sullivan.

A significant percentage of students take on leadership roles at their schools, in addition to excelling academically due to our focus on overall development. Moreover, while test results are not a key barometer of students' performance, our students have performed well on various English language standardized tests. For example, in a group of our Grade 6 students that took the TOEFL Junior Tests, 73.3% achieved a result that surpassed the median score for Grade 6 native English-speaking students in the United States that took the same exam.

Comprehensive and Innovative Products

We offer a comprehensive suite of products for students ranging from the ages of three to 18, comprising both online and offline coursework. Our core products include three flagship courses, namely Rise Start, Rise On and Rise Up, which cater to students aged three to six, seven to twelve, and 13 to 18, respectively.

For each of our products, we have developed a custom and comprehensive curricula that feature a set of interactive courseware featuring dynamic English instruction through problem-solving and situational cases across various subject matters. We continuously improve and expand our curricular as well as develop complementary products for students. Parents closely associate our products and curriculum with our brand and we believe this provides us with a key competitive advantage that allows us to differentiate ourselves in the highly fragmented and competitive China junior ELT market.

We also utilize technological innovation across our products to enhance students' learning experiences and to improve teaching efficiency. For example, teachers deliver our entire in-class curricular through interactive white boards to promote dynamic interaction. Additionally, complementary products such as Rise V-World are built using both virtual reality (VR) and augmented reality (AR) technologies. Moreover, certain of our products, such as Rise Up, which targets students aged 13 to 18, focus largely on online instruction, which provides students with increased flexibility of how and when they can study.

Extensive and Systematic Product Development and Teacher Training Programs

Key elements of our continued growth and success include our extensive and continuous curriculum development and teacher training programs. Continued course development ensures that our products remain attractive and engaging, particularly as our student mix and their needs and preferences evolve, while teacher training programs ensures that teachers in self-owned learning centers and franchised learning centers are able to deliver our products in a manner consistent with our standards. Both contribute to the overall learning experience of students.

Over the past ten years, we have implemented an average of 40 new additions or upgrades to our existing curricular and courseware and registered an average of seven new copyrights each year. Our track record of curriculum and product development is indicative of our strong research and development capabilities. In the past, a number of public schools have sought our advice and assistance in reviewing and upgrading their own course materials. Moreover, a number of national educational authorities, including the China National Institute of Standardization, have also sought our insight and help in establishing national standards for junior ELT in China.

To complement our curriculum research and development efforts, we provide comprehensive and systematic training to teachers as well as those employed by our franchise partners in franchised learning centers. Our teacher training program comprises an initial component when they are first hired as well as ongoing components. Newly hired teachers are required to attend a mandatory seven-step training program held by education professionals at our headquarters in Beijing. Existing teachers are also required to undergo training sessions periodically throughout the year.

Premium and Trusted Brand

Through our ten years of operations, we have built a strong and powerful brand. According to a survey conducted by Frost & Sullivan amongst parents, Rise is viewed as a leader in the junior ELT market in China. As a testament to our strong brand, we enjoyed a student retention rate of 67% in 2016 and 70% in the six months ended June 30, 2017. Moreover, parents who valued brand, course content and English conversation ability in choosing an ELT institution rated Rise as the number one brand in terms of customer satisfaction for age 3-6 ELT, 30% better than the next closest competitor. We have also received numerous awards and recognitions, including the "Most Popular Junior English Education Organization" by edu.qq.com in 2014, the "Most Reputable Junior English Education Organization" by edu.qq.com in 2015, "Most Creative Brand of the Year" by Beijing News in 2016 and one of the 13 "Reputable Education Organization" by Xinhua.com in 2016.

Our strong brand has had positive impact on our operations. First, our customers are willing to pay a premium price for our products. Our courses at self-owned learning centers are typically priced between RMB16,000 to RMB28,000 per year, representing the higher end of the range of prices for premium junior ELT products, according to Frost & Sullivan. Additionally, our strong brand also helps us recruit new students by lowering our selling and marketing expenses through effective and powerful word-of-mouth marketing. Finally, we believe our brand has helped us in a number of commercial negotiations such as procuring coveted locations for new learning centers, and negotiating rental rates and advertising pricing in both online and offline channels. Our brand also helps us attract high quality teachers relative to our competitors.

Highly Scalable Business Model

Our two-tier business model is highly flexible and scalable. We operate self-owned learning centers in tier-one cities and collaborate with franchise partners in others. This allows us to focus our resources to operate self-owned learning centers in cities that we believe are most attractive while also building our brand and growing our footprint nationally.

Our ability to scale our business while maintaining the quality of student experience is primarily due to our highly standardized learning center and classroom design and products, systematic teacher recruiting and training programs, and well-developed organizational management capabilities. This set of standardized procedures and products allow us and our franchise partners to establish new learning centers quickly while maintaining the same standard of excellence and level of operational and financial results across each center.

As a testament to our highly scalable business model, we have expanded our learning centers from 40 as of December 31, 2008 to 246 as of June 30, 2017, representing an increase of over five times. As of June 30, 2017, we are present in 80 cities in China in aggregate and operate self-owned learning centers in all tier-one cities as well as Wuxi.

Experienced Management Team with Proven Track Record

Our management team consists of seasoned executives with an average of over seven years of experience in education and over ten years of experience in broader managerial roles. Our Chief Executive Officer, Mr. Yiding Sun, previously served as Chief Executive Officer at Gymboree China Group, a private education company specializing in children's early education. Mr. Sun has six years of experience in the education industry. Our Chief Financial Officer, Ms. Chelsea Qingyan Wang, has five years of experience in education industry and 15 years of experience in information technology industry, a certified member of Chartered Global Management Accountant and the fellow member of Chartered Institute of Management Accountant. Our Senior Vice President, Ms. Sally Yuan, is the General Secretary of the English teaching research division of the Beijing Association of Education and was responsible for various programs in China's 12th 5-year plan. In addition to senior management, we also have a qualified research and development team, of which many members hold a master degree or above in Education and have studied overseas. Their global professional experience continues

to propel Rise to the forefront of the ELT industry in China and set us apart from our peers. Our team's collective experience and strong execution capabilities enable us to grow successfully, manage our operations, and promote our premium brand.

Our Strategies

We seek to maintain and further strengthen our leading position in the junior ELT service market in China by pursuing the following strategies:

Expand Our Learning Center Network

Given the large opportunity and low penetration rate of junior ELT in China, there is significant room to further expand our learning center network. We will continue to take advantage of growing demand for quality junior English language training and open new self-owned learning centers, largely in tier-one cities with attractive demographics most suited to our products. We also plan to continue the expansion of franchised learning center network nationally by leveraging our strong brand and standardized operational and management system.

Increase Student Enrollment in Self-owned Learning Centers

We seek to expand student enrollment by increasing the retention of existing students as well as acquiring new students. We will focus on enrollment across both existing as well as newer self-owned learning centers. We plan to achieve this through dedicated and strategic branding efforts and improvements and enhance our products.

Enhance and Expand Our Products

We intend to devote significant resources to enhancing as well as expanding our products to other new standalone products as well as complementary products. This includes online product offerings as well as other complementary products such as overseas camps. We will also leverage our large and stable student base to effectively broaden, enhance and market our future products. This will help us extend our existing business lines and strengthen our market leadership by increasing the lifetime value of these students through cross-selling. Moreover, it will allow us to promote a more personalized learning experience for students.

Improve Operating Efficiency

We intend to continue to optimize our operations and improve efficiency on three fronts. First, we plan to continue investing in infrastructure and technology. We are currently investing in IT upgrades to integrate our platform and improve internal efficiency. Second, we will continue to refine our internal business procedures to ensure standardized operations in both self-owned centers and franchised learning centers. Lastly, we will continue to optimize our organizational structure to facilitate more fluid and immediate interaction between our corporate headquarters and self-owned learning centers, allowing for improvements in both operational and marketing efficiency.

Pursue Additional Strategic Partnerships and Alliances

We will consider acquisition opportunities that complement or enhance our existing operations as well as those that are strategically beneficial to our long-term goals, such as franchised learning centers with healthy operations or strategically important locations.

We also expect to deepen our collaborations with overseas curriculum partners as well as overseas partner schools and universities to further enhance and expand our course offerings. For example, we intend to launch an American High School Credit Program where qualified students may get offers from our partner universities.

The Rise Model

Our teaching model is designed to promote the all-around growth of students. We believe every student is unique in their abilities, interests and personalities. We have developed a holistic approach to learning that promotes both the academic advancement and personal development of students in an immersive English-language environment. We offer subject-based courses in English that utilize various subject matters as the medium for English language instruction. Our courses are also designed to focus on skills such as public speaking, project management, and critical thinking and cultivate personal attributes such as leadership, teamwork, creativity and confidence. This unique model allows students to accumulate subject matter knowledge while also developing their language capabilities and strengthening important personal traits.

Our Teaching Philosophy

Our goals as educators are to further the academic progress and personal development of each student. We believe the aspects of our model listed below are critical to achieving these goals.

Subject-based courses

We use a subject-based approach to teaching English by using various subject matters such as language arts, math, natural sciences and social sciences, as the medium through which students accumulate language skills. Rather than learning the language itself through vocabulary, grammar, and syntax, students learn to use the language as a means to understand a variety of subject matters. This allows students to learn English while acquiring a variety of additional academic knowledge to complement their formal schooling. Moreover, subject-based learning trains students to comprehend and use English in a more natural and contextualized manner while making the learning process more intuitive, interesting and enjoyable.

Immersive learning

We deliver our products entirely in English. This compels students to approach and use English as a medium for communicating thoughts and ideas, rather than as a separate subject. This type of immersive learning gives students the opportunity to develop a deeper and more comprehensive understanding of the English language and helps students to not only achieve English language proficiency but also gain the ability to think and converse in English more naturally and in a manner similar to that of native speakers. Our parents are attracted to this novel approach to English instruction as they often learned English in a more rigid and traditional setting that did not provide them with the necessary context and understanding of the various nuances of the language.

Leadership training

Leadership and other soft skills are core focuses for us. Students are able to develop confidence, teamwork, collaboration, independent thinking, problem-solving, presentation and project management skills through both in-class and extra-curricular projects. Students are encouraged to speak in front of their peers in class as well as engage in a number of group projects to solve problems creatively. We believe these aspects of our products are particularly attractive to Chinese parents who increasingly believe these skills are an important contributor to the future success of their children.

Teaching Methodologies

We apply standardized course modules and teaching procedures in courses and across all self-owned and franchised learning centers, with teachers acting as facilitators throughout the process.

Technology-based teaching tools

We provide teachers in our learning centers and those in franchised learning centers with various technology-based teaching tools to allow them to more efficiently deliver our products to students. For instance,

our multimedia and interactive lessons include content that is in standard American English pronunciation and intonation. We also use interactive white boards instead of textbooks to keep students engaged and to promote dynamic interaction in the classroom. We also have Rise V-World, a complementary study tool using virtual reality (VR) and augmented reality (AR) technology, which combines more recreational with educational elements to reinforce concepts taught in our courses and encourage students to apply their new knowledge to real-world situations through a variety of fun and challenging scenarios. Making technology available to our teachers and in the classroom is a critical component in maintaining quality control over our network of learning centers and ensures that all students have a similar experience.

Interactive learning

We utilize multiple interactive teaching methodologies to facilitate the learning process. Our courseware, classroom scenarios, classroom displays, teaching tools and learning materials are designed to promote student interaction with each other and teachers. Students also participate in interactive in-class activities such as debates, crafts and role plays, which effectively enhance learning results. We believe that interactive learning is more enjoyable to students, is better able to maintain their attention throughout the class, and is more effective at conveying important or complicated ideas, especially in the study of a foreign language.

Cooperative learning

Teachers are important in implementing our standardized teaching tools and curricular. They organize and manage class activities based on the principles of teamwork and accountability. We believe this methodology of teaching is especially appealing to younger Chinese parents, the majority of whom have grown up without siblings and in a school system that traditionally emphasizes individual achievement and competition among students.

Project-based learning

Our curricular require students to participate in a variety of projects where students are assigned different team roles and tasks based on their interests. Students use study tools that we have developed to complete various tasks, including conducting research projects, collecting data and making presentations. During the process, students learn how to set goals, manage projects and complete complicated tasks through collaboration. Project-based learning also encourages students to exercise creativity and to think outside the box, important skills that parents value, yet and are often under addressed by China’s traditional education system.

Independent thinking and problem solving

In order to cultivate the ability of students to think independently and develop problem solving abilities, we have implemented a series of distinctive teaching methodologies. For instance, our Thinking Graphic Organizer helps students develop and express their ideas through visual representations such as webbing, flow charts and mind maps. Four-Step Problem Solving is another teaching methodology we use to help students systematically understand and solve math problems, which includes understanding the problem, devising a plan, carrying out the plan, and verifying the results. These methods are useful in helping students develop the ability to understand and solve problems on their own, endowing them with important life skills that go far beyond rote memorization and testing skills.

Course Offerings

All our courses are developed based on our teaching philosophy and methodologies, and designed to improve each student’s independent learning, leadership and critical thinking skills. It also helps students with their reading, writing, science and cultural awareness, and helps them to become “global citizens.”

We offer incremental courses to students, starting each at an appropriate level and elevating them to more advanced courses. Currently our three flagship courses are Rise Start, Rise On and Rise Up targeting students in

preschool, elementary school and middle school from the ages of three to six, seven to twelve, and thirteen to eighteen, respectively. Students in both self-owned learning centers and franchised learning centers are able to enroll in these courses.

We use standardized interactive curricular for our courses. The curriculum of Rise Start and Rise On uses HMH courseware along with other self-developed content, while Rise Up is primarily based on our self-developed curriculum. We have also developed more than 430 proprietary study tools for Chinese students, including scripted lesson plans for teachers, interactive courseware, practice or activity books for students and home application materials for families. By standardizing the curricular and related study tools used in each of our courses, we are able to ensure a consistent quality in each of our courses. This ability to control the quality of each class through standardized instruction is especially important as we expand our business to additional learning centers, especially franchised learning centers.

Rise Start

Rise Start is an offline course for preschool students ranging from the ages of three to six. Rise Start aims to help students develop good learning habits and learn through play, focusing on interaction, discovery and experience. In Rise Start, students are given age-appropriate lessons in English about subjects such as social studies, language arts, math and science. Rise Start consists of a total of approximately 200 course hours during an academic year, in which students come to learning centers one day each week, usually for up to six hours each time. Because students at this age have not yet begun their formal schooling, Rise Start students typically attend in the mornings and afternoons, utilizing our premises during the times in which the older students otherwise are not able to due to formal schooling.

Rise On

Rise On is an offline course for elementary school students from the ages of seven to twelve. Rise On strengthens student abilities across a variety of subject areas while emphasizing self-reliance and problem solving skills. Rise On students learn in English about subjects such as social studies, language arts, math and science. Rise On consists of a total of approximately 180 course hours, which students usually attend in afternoons and evenings, after they have completed their formal school day, or on the weekends.

Rise Up

Rise Up is a course developed for secondary school students from the ages of thirteen to eighteen, which is conducted primarily online. In addition to core skills that all of our course offerings foster, it also helps our students with standardized middle and high school test preparation. Rise Up consists of a total of approximately 170 online course hours using self-guided modules, which provides great flexibility to fit in the schedule of students, as well as approximately 40 online tutorial sessions with native English-speaking teachers that we have selected from our partner third-party platforms. Rise Up students are also required to attend an intensive 15-day offline study camp comprising approximately 90 course hours every summer for additional training and to practice skills that cannot easily be done online.

Our Complementary Products

We also offer a series of complementary products to students from both self-owned learning centers and franchised learning centers, including online products Can-Talk and Rise Library Online, and offline products Rise Camp, Rise Workshop and Rise Overseas Study Tour. We also recently entered into an agreement to acquire the business of a leading Hong Kong-based admissions consulting company specializing in overseas boarding school and college placement. We may in the future offer some of these products on a stand-alone basis.

Can-Talk

Can-Talk is an online product that we launched in May 2017. Through Can-Talk, students receive one-on-one or small-class lessons from native English speaking teachers that we have selected from third-party

platforms that we partner with, who are all certified by Teaching English to Speakers of other Languages, or TESL, to teach English. All native English-speaking teachers available through Can-Talk are from North America. Can-Talk is intended to enhance conversational and academic language skills for students from the ages of six or above. It engages students in learning-focused discussions of popular cultural topics and academic test-oriented topics. Through this platform comprising of 60 sessions, each of which lasts approximately 25 minutes, students are expected to gain greater linguistic skills.

Rise Library Online

Rise Library Online offers online reading programs that provide highly engaging learning experiences for students through multi-functional capacities, including self-adaptive functions based on the Lexile measures, a popular reading assessment standard in the United States, interactive acoustic functions and interactive games. The Library can automatically filter, select and suggest suitable reading materials to students based on their English proficiency level and preferences measured by Lexile standards. The Library applies Stanford Research Institute (SRI) Speech Recognition and Assessment Technology during reading, which combines advanced acoustic models and industrial quality speech recognition engine to measure the accuracy of the pronunciation as the students read the story aloud. The Library also provides interactive multi-functional games that are played after reading a story, which develop and reinforce skills for listening, speaking, writing and reading comprehension. The Library not only provides self-owned textbook-style English reading materials with learning objectives closely aligned with our Rise Start and Rise On curricula, but also offers, through a partnership with a third-party content provider, over 2,600 books and magazines to foster reading habits for students.

Rise Camp and Rise Workshop

Rise Camp and Rise Workshop strive to cultivate students' language skills by encouraging them to apply the English skills they develop during class into real-life situations. These programs take place in various domestic locations that provide an immersive learning environment for students age four or above to practice with native English speaking teachers. Rise Camp is a theme-based camp typically hosted in summer or winter. For instance, in the summer of 2016, we hosted a camp in Beijing where students learned about drone-related technology, artificial intelligence, coding and related science-based topics. Rise Workshop is typically organized during weekends or public holidays with a theme related to arts, social sciences and other topics that students are interested in, with a size of fifteen to twenty students per workshop. Rise Camp and Rise Workshop help students not only improve their English and extra-curriculum knowledge, but also their cooperation and communication skills by working together with group members to accomplish goals and complete tasks. We initiated Rise Camp and Rise Workshop in 2016, and since then we have hosted three camps and 11 workshops where an aggregate of approximately 560 students participated.

Rise Overseas Study Tour

For students age four or above wishing to experience studying abroad, we organize tours for students to attend classes in preschools, elementary schools and middle schools primarily in the United States and Canada. We act as the operator of this program and set the price for the tours. Each tour typically lasts for two to three weeks and usually takes place during the summer or winter. Similar to Rise Camp or Rise Workshop, for students younger than seven, parental presence is required. We have organized tours in approximately 40 overseas schools to provide a wide range of options to students, who can attend various classes with native English speaking students under supervision of teachers in those schools. Moreover, students have the opportunity to mingle with local families after class and gain real life language exposure and a better understanding of cultures in English speaking countries. We began offering Rise Overseas Study Tours in 2012, and in 2016 and the six months ended June 30, 2017 approximately 520 and 126 students, respectively, participated.

Research and Curriculum Development

We have devoted significant resources to research and curriculum development, which are reflected in the quality of our course materials and effectiveness of our teaching methodologies. We use courseware consisting of course models and content licensed from HMH as the base of our Rise Start and Rise On courses and have developed complementary products to meet the needs of our students and take advantage of technological advancements. We frequently revise and upgrade our complementary products and have recently added several short-term courses to optimize our curricula.

Course Materials Based on HMH Licensed Courseware

A portion of the courseware that we use in our Rise Start and Rise On courses is licensed from HMH. Pursuant to license arrangements with HMH, we have an exclusive, subject to certain pre-existing third party rights, and royalty-free right to use certain HMH courseware developed before October 2011 in China permanently for after-school tutoring services for the primary purpose of teaching the English language to non-native English speaking students. Courseware developed by HMH helps students learn important subjects using simple English words and phrases, while also allowing us to easily standardize our courses across all learning centers.

In accordance with our rights under our license arrangements with HMH, we have developed various derivative products based on this HMH courseware, including certain tailored lesson plans for teachers, practice and activity books for students and after-class materials for parents and students to enhance interaction and study at home.

In-house Curriculum Development

We have a dedicated research and curriculum development team based in Beijing, with an average of over six years of relevant experience. Through workshops, trainings and international cooperation, our curriculum research and development team has successfully developed approximately 5,000 course hours and more than 430 course materials.

All of our supplementary curriculum are developed in-house. It typically takes about three months to twelve months to develop our new curriculum.

Our in-house curriculum development process includes three phases. During the first, or pre-development phase, we collect data and information on various potential products that we are considering and we seek feedback on those products from as many as 500 teachers, students and parents. We also conduct at least three rounds of professional consulting with academic experts and consultants on the proposed new course material. During the second, or development phase, our in-house professionals develop a new course proposal to be evaluated by our management and based on their feedback, these professionals revise the proposal and re-submit for approval. After the initial development is complete, we discuss each version across our various departments, a process that involves between 50 and 100 employees, in order to provide feedback to the development team and begin focusing on a final version. We repeat the cross-department review process at least three times during the development phase. During the final, or post development stage, we collect feedback from between 1,000 to 3,000 individuals, including teachers, course consultants, professors, students and parents, before we finalize the new course material.

External Courseware Development

We have engaged a third-party vendor in Ireland with significant experience in developing educational products to assist in our curriculum development. We use this vendor to develop complete courses for us, such as Rise Up Levels 1 and 2, and the curriculum development process is interactive and follows our standards. As of June 30, 2017, this vendor has developed the course materials for over 350 course hours and over 660 videos for us. We own the intellectual property rights for all course materials this vendor develops for us, and we pay them service fees based on the number of hours of developed courses.

Advisory Board

We have established an advisory board consisting of several reputable experts, including scholars, professionals and government officers in China's domestic and the international education industry. These experts have an average of twenty years' experience in education, research or English language teaching, and regularly provide high-level advice on education-related matters. These experts offer valuable advice on curriculum development, teaching quality, and other matters that effectively enhance our teaching and operating standards.

Our Learning Center Network

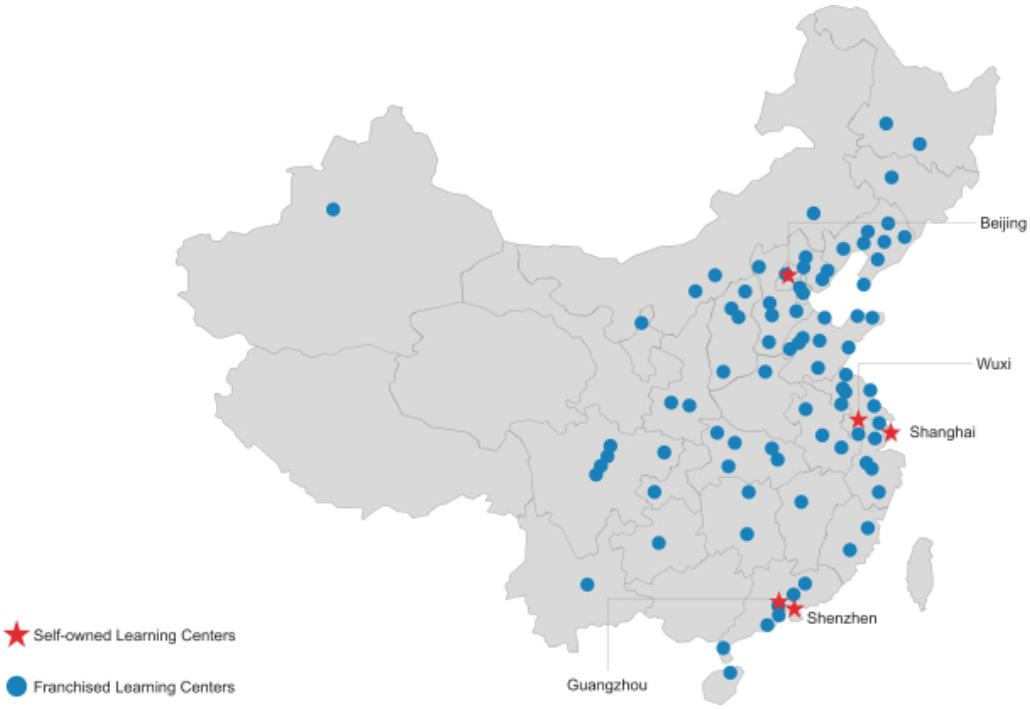
We operate self-owned learning centers in China through our consolidated affiliates including schools and a non-school enterprise, and we cooperate with our franchise partners to operate the franchised learning centers across China.

Our first learning center opened in Beijing in October 2007. In the same year, we agreed with our first franchise partner to open first franchised learning center in Chongqing. Since then we have expanded our learning center network of both self-owned and franchised learning centers rapidly, and have opened an average of 34 new learning centers per year during the past three years. As of June 30, 2017, we had a network of 246 learning centers across 80 cities throughout China, of which 56 were self-owned and 190 were operated by our franchise partners, and among our 56 self-owned learning centers, 30 were located in Beijing, twelve in Shanghai, seven in Guangzhou, five in Shenzhen and two in Wuxi.

The table below illustrates the expansion of our learning center network by showing the number of learning centers as of the dates indicated.

	As of December 31,			As of June 30,
	2014	2015	2016	2017
Self-owned	43	46	54	56
Franchised	137	147	167	190
Total Learning Centers	180	193	221	246

The map below indicates where each of our learning centers is located across China.



Self-owned Learning Centers

Our 56 self-owned learning centers are mostly located in China's tier-one cities of Beijing, Shanghai, Shenzhen and Guangzhou, as well as certain selected cities, such as Wuxi.

Our self-owned learning centers range between approximately 500 and 2,000 square meters in size, and can typically accommodate up to approximately 1,000 students. Our largest learning center, located in Beijing is able to accommodate approximately 2,000 students. We lease all of the premises that hold our learning centers and prefer to enter into lease agreements of at least five years where possible. Our learning centers are usually located in shopping malls or other commercial centers, as this helps to attract new potential students and is usually more convenient to our students and their parents.

We are responsible for all of the operations of our self-owned learning centers. We implement strict quality control measures to make sure each self-owned learning centers is a safe, clean and friendly environment. We have established various processes to maintain high standards and quality within all of our self-owned learning centers. For instance, we have centralized the processes for teacher recruitment, teacher training, online marketing and branding, while adopting local quality control mechanisms in areas such as offline marketing. Each self-owned learning center has a principal who is experienced in education, adheres to our education philosophy, and implements our quality control system. We also have dedicated academic supervisors at each learning center who are responsible for teaching quality. Each school also will always have at least one staff member that is trained in first aid to ensure the safety of our students.

It generally takes us about three months to establish a new self-owned learning center after we have confirmed lease arrangements for the site. We thoroughly evaluate a site for a new learning center and consider factors including customer traffic, local competition, household income, student recruitment projections, staffing requirements and cost estimates. We typically initiate regulatory approval procedures, including school license and registrations with local educational authorities, immediately after the lease agreement is signed. We also conduct financial analysis to estimate return on investment, breakeven point and other key financial indicators before deciding to open any new learning center.

The table below sets forth the major steps involved in opening a new learning center.

6 months to 1 year prior to opening	• Seek suitable site and negotiate leasing arrangements
3 months prior to opening	• Sign rental lease
	• Initiate regulatory approval procedures
2 months prior to opening	• Begin designing and remodeling center interior
	• Hire principal and other supervisors
	• Begin hiring teachers and other staff
	• Conduct market research to formulate marketing plan
1 month prior to opening	• Begin team building process and teacher training
	• Advertising and promotions
	• Technology checks
Opening	• Opening ceremony
	• Enroll students and begin classes

We intend to open more self-owned learning centers in tier-one cities and continue to expand our network of franchised learning centers in other cities and regions across China.

Franchised Learning Centers

We have strategically adopted the franchise model to quickly expand the network of learning centers to non-tier-one cities and the suburbs of tier-one cities in China.

Our criteria in selecting franchise partners include their financial capacity, commitment to education and experience in running education centers. We typically enter into franchise agreements with an initial term of five years with franchise partners and if any franchise agreement needs to be renewed, it will typically be renewed for an additional five-year period. We charge each franchise partner recurring franchise fees based on an agreed percentage of each franchised learning center's collected tuition fees and also related individual course materials fees.

Potential new franchise partners are required to submit proposals to us containing site selection, market research and plans, anticipated number of students and potential number of learning centers. We have complete discretion in determining whether to accept an applicant as our franchise partner and execute a franchise agreement with them. Our franchise partners are responsible for all of the preparations in opening a new school, including site selection and leasing, interior design based upon our standards, installing all necessary equipment, hiring teachers and staff and recruiting students. Under the franchise model, our franchise partners purchase course materials and textbooks from us, and follow our standardized management system for franchised learning centers in their classroom instructions, their pricing and subsequent price adjustment, typically reviewed on an annual basis, are subject to our approval and we provide centralized trainings for their teachers and management team. We typically do not participate in the day-to-day operations of franchised learning centers.

We monitor operating results of franchised learning centers. Our franchise partners are required to submit to us the statistics of student enrollments in each franchised learning center on a monthly basis. We have a franchise management department of over 20 employees who continually monitor operating condition of each franchised learning center. Should the operating or financial situation of any franchised learning center deteriorate, our franchise management department may suggest plans for improvement to the franchise partner, and we may decide not to renew the franchise agreement with that franchise partner upon expiration if the situation does not improve. In addition, if any franchise partner fails to find a location within two months after signing the franchise agreement, or fails to open a new learning center within four months after signing the franchise agreement, we are entitled to terminate the franchise agreement. As of June 30, 2017, over 48% of our existing franchise partners have operated their franchises for more than five years.

Moreover, we are in the process of introducing a centralized online tracking system which all of franchised learning centers are required to install and use. It is expected that all franchised learning centers will be equipped with this system by the end of 2018, which will allow us to monitor the financial and operating results of the franchised learning centers in real time.

Standardized Management

We have established a standardized management system and process through which we manage and oversee important aspects of our self-owned and franchised learning centers across our network, including learning center administration, supply procurement and the development and sharing of teaching resources. By doing so, we are able to support and facilitate the management of both self-owned and franchised learning centers in an efficient manner as well as ensure consistency in the quality of our education.

Sharing and development of standardized teaching resources

To increase the effectiveness and consistency of teaching quality across learning centers, we have unified our teaching goals, guidelines and materials and courseware at each stage of our courses offered in all self-owned and franchised learning centers. By following these unified guidelines, we make it easy for teachers to effectively teach students in a manner that adheres to our teaching philosophy. Our standardized teaching resources are attractive to parents as they provide them certainty that their children will be participating in structured and effective lessons prepared by education experts regardless of the learning center or the class their children attend. By unifying our teaching materials, it also makes it easier for us to monitor learning results across all of our learning centers and make adjustments and improvements to our materials and resources as needed.

Centralized teacher trainings and academic assessment

We have standardized teacher trainings and academic assessment systems for all teachers employed at both self-owned and franchised learning centers.

All teachers are required to participate in mandatory and ongoing trainings at our headquarters, both at their respective learning centers and online. These trainings all teachers to deepen their understanding of our teaching philosophy, and enhance their skills in better utilizing our teaching resources and provide each student with a quality and effective learning experience.

We assess the academic performance of each teacher on a quarterly basis. Our teacher assessment standards include a number of factors, including teaching performance, written test results, English proficiency and communication skills.

Learning center operation

We have adopted a centralized online tracking system to monitor the daily operation of each self-owned learning center. This system tracks important aspects of the each school’s operations, such as student enrollment,

renewals, teacher staffing and certain operating costs. We conduct periodic reporting meetings with the principals and academic supervisors of each learning center to review results and discuss how to enhance operational performance. We have also unified the design and decorations in all of self-owned learning centers, as well as the procurement procedures and standards for most aspects of the establishment and operation of our learning centers, including computers, desks and chairs, uniforms and other equipment.

Learning results assessment

We also have standardized procedures to monitor and track student's learning results. Teachers are trained to record each student's performance in class in a systemic method for further tracking and review. We have quarterly academic examinations and benchmark online tests to monitor each student's learning progress.

Parent communications

We have standardized the procedures and contents of communication with the parents of students in all self-owned learning centers. We assign at least one teacher in each class to keep regular communications with the parents, including providing updates on their child's progress, following up with after-class homework of the students, collecting feedbacks from parents and recommending new products to the parents.

Students

In 2016 and for the six months ended June 30, 2017, we had a total of 36,173 and 26,600 student enrollments, of which 18,330 and 11,002 were new enrollments, respectively, at self-owned learning centers.

We consider students' English abilities and ages before placing students in appropriate courses and track their performance during our course offerings. We believe our courses are effective in enhancing the English language skills of students. For example, in a group of our Grade 6 students that took the TOEFL Junior Tests, 73.3% achieved a result that surpassed the median score for Grade 6 native English-speaking students in the United States that took the same exam.

Teachers

As of December 31, 2014, 2015 and 2016 and June 30, 2017, we had a total of 1,055, 1,162, 1,253 and 1,315 teachers, respectively, employed by self-owned learning centers. Most of our teachers are full-time employees.

Teachers are responsible for leading each class through the various materials and presentations, and engaging all students in each learning activity. Although we have standardized our teaching tools, teachers must be familiar with our teaching methodologies and the material for each lesson in order to deliver it effectively.

In addition to teaching our students, teachers also focus on serving the needs of the parents of students. Teachers establish multi-channel communications with the parents, including regular offline meetings with parents and weekly follow-up phone calls, as well as online communications and seminars, assisted by other staffs with administrative work, follow up on after-class homework with the parents and students, and recommend various Rise products to the parents. Moreover, we have established an online platform called "Rise Club" where parents can consult with teachers with various questions instantly and check performance results of their children online. As of June 30, 2017, Rise Club had a total number of more than 280,000 registered users.

Teacher training and evaluation

We offer centralized and continuous trainings for teachers, which consists of a minimum of seven incremental training steps. These trainings primarily focus on effectively delivering our highly standardized

course modules. For instance, we provide two weeks of intense training to each teacher right after recruitment, and we continue to provide them with training at our learning centers throughout the duration of the time with us. After training, teachers are required to pass a variety of exams before teaching our classes. We also have an in-house nine-star rating system to track the performance of teachers, which accounts for important factors including teaching quality, student retention rate, satisfaction level of parents, performance review by principals and other factors such as safety and academic contribution. The salary of each teacher is linked to their individual performance, as measured by our rating system.

We also cooperate with overseas educational institutes for teacher training and international accreditations, and many of teachers hold qualification certificates accredited by reputable overseas institutes.

Teacher recruitment

We hire teachers based on their education background, English proficiency level, personalities and passion for teaching. For students attending our more advanced courses such as Rise On, we primarily look for candidates with outstanding academic background and adequate teaching experience. For applicants to teach our younger students in Rise Start, we favor candidates who are caring and patient. Our major teaching recruitment channels include campus recruitment, public recruitment through agencies or headhunters and cooperative programs with normal universities.

Tuition and Fees

We offer our products at different prices in different cities, which we adjust on an annual basis based on a variety of factors, including local income standards and demand for our services. Our annual tuitions and fees are generally higher than our competitors because we believe we offer premium products that parents are willing to invest in. Tuitions and fees in franchised learning centers located in non-tier-one cities are generally lower than self-owned learning centers that are usually located in tier-one cities. We generally increase our standard tuition and fees on an annual basis. In 2016 and for the six months ended June 30, 2017, the average tuition fees for our courses ranged from approximately RMB16,000 to RMB28,000 per year.

Parents are required to prepay tuition and fees for the entire academic year before students can begin classes. If a student withdraws during the year, we offer tutoring course fee refunds in accordance with local education bureau's regulations. We also charge different prices for each of our complementary products, either by an annual subscription fee or by referring to the prevailing market rates.

Public Cooperation

Drafting and Reviewing National Standards

Our teaching approach and methodologies have been recognized by multiple national authorities and organizations in China, and we have been invited to participate in the drafting and reviewing certain national education standards. For instance, we assisted in drafting the basic requirements of language training services for children and early youth in October 2016, which was initiated by the Chinese National Institute of Standardization, a national authority responsible for establishing education standards, and the China Quality Certification Center.

National Subject Research

Since 2012, we have actively participated in China's 12th five-year national subject research initiated by National Association of Foreign Language Education, the Chinese Society of Education. As a result, we compiled and published Rational and Classroom Implementations of Subject English Education as a textbook for the promotion of subject-based English in China.

Public School Faculty Training

We cooperate with universities and public schools in providing various trainings for English teachers. Since 2009, we have been invited by the Beijing Educational Society to cooperate with Changchun Normal University to help their college students improve their English teaching skills. We have also provided training to more than 300 public school teachers in Beijing and Ji'nan from 2014 to June 30, 2017.

Subject English Education Research Academy

In 2013, we initiated Subject English Education Research Academy under The Beijing Academic Society for Education, which established the Beijing subject English Teacher Standards in 2013, and our management members play important roles in this academy, which functions as a self-governing organization in China's regional education industry and sets up several industrial standards. As of June 30, 2017, more than thirteen public and private schools and other educational organizations had become members of this academy.

Branding, Sales & Marketing

Branding

We position ourselves as the leader in the junior ELT market in China. Our brand is recognized by multiple educational authorities and organizations in China. For instance, we were accredited as the "Most Popular Junior English Education Organization" by edu.qq.com in 2014, the "Most Reputable Junior English Education Organization" by edu.qq.com in 2015, "Most Creative Brand of the Year" by Beijing News in 2016 and one of the 13 "Reputable Education Organization" by Xinhua.com in 2016.

We promote our brand through a series of marketing and public relationship activities, including traditional marketing means such as television ads, internet ads, outdoor display ads, new media as well as large events such as Rise Cup and Rise Star.

Rise Cup

Rise Cup is an annual nationwide English language project competition we host for all of students, regardless of their location, English level, or age. Participants are encouraged to complete certain tasks through teamwork in a fun manner. The four rounds of Rise Cup challenge students to improve their skills in language, project management, leadership and cooperation. It aims to make students think creatively, critically and independently. Rise Cup provides a platform for students to express their ideas and to prove that they can overcome challenges. Rise Cup concludes with an onstage performance by students, in which they present their projects, using their fine-tuned English skills, in front of an audience of thousands of their fellow students, their parents and judges. In 2017, a total of approximately 49,000 students from 76 cities participated in Rise Cup.

Rise Star

Rise Star is an annual online marketing campaign that we host to promote our brand. Rise Star is a competition for students mainly between the ages of three and eight. Based on a unique theme every year, students participate in the competition by making their own videos expressing their views. For instance, the theme of Rise Star in 2017 was "Wild Animal Rescue," which gave students the opportunity to submit online presentations on the importance of protecting wild animals. It not only encourages students to pursue their interests after class, conduct research independently and present their ideas in a creative way, but also promotes our image by broadcasting the image and products of students in public. We post clips of Rise Star videos on social media and online websites with heavy traffic, which effectively attracts existing and potential customers as well as public interest. In 2017, a total of approximately 45,000 students participated in Rise Star which has attracted more than 40 million page views on our website as of the date of this prospectus.

Marketing

Our marketing approaches integrate our centralized marketing channels through headquarters with localized marketing efforts by each learning center. We conduct marketing activities through both online and offline channels.

Online channel

We place online and mobile advertisements mainly on search engines and conduct marketing on leading web portals and social media platforms in China. When selecting marketing agents, we concentrate on their demonstrative ability to generate traffic, and we have accumulated good credit with reputable social media platforms in China who help us to attract potential customers. Furthermore, we cooperate with innovative media platforms and place banner advertisements or advertorials on education-focused platforms and mobile news apps.

Offline channel

We place outdoor display advertisements in public transportation terminals and residential complexes in selected cities. For instance, we regularly set up booths in shopping malls or supermarkets near our learning centers to distribute leaflets and register new students. We sometimes offer demonstrations in the communities around those centers, or participate in large-scale exhibitions and mega events such as carnivals for children to promote our brand and attract potential customers. We also launch marketing campaigns with partners from vertical industries to achieve synergy from time to time. In addition to the centralized marketing team working at our headquarters, we also have a sales force in each of our learning centers.

By integrating these resources, we have established a stable marketing pool with a multifaceted approach. Moreover, our word-of-mouth referrals counted for approximately 30% in new student enrollment in 2016 and for the six months ended June 30, 2017.

Sales

We have a strong sales team across China consisting of approximately 400 sales personnel as of June 30, 2017. Our sales approaches are flexible and aim to effectively utilize our online and offline marketing strategies to attract new students. We provide extensive and periodical sales trainings to each of our sales personnel to enhance their sales skills and performance.

Competition

The junior ELT market in China is rapidly evolving, highly fragmented and competitive. We are currently a leader in China's junior ELT market and in our core market, our major competitors include EF Kids and Disney English.

We believe the principal competitive factors in our industry include the following:

- brand recognition;
- scope and quality of course offerings;
- capability of product development and teacher training;
- standardized management and scalable business model;
- customer satisfaction; and
- ability to effectively market course offerings to a broad base of prospective customers.

Given these factors, we believe we are in a favorable position as a provider of junior ELT in China.

Employees

We had 1,929, 2,033, 2,245 and 2,370 employees as of December 31, 2014, 2015 and 2016 and June 30, 2017, respectively. The majority of our employees are full-time. We had the following number of employees by function as of the dates indicated below:

	As of December 31,			As of June 30,
	2014	2015	2016	2017
Teachers	1,055	1,162	1,253	1,315
Sales and marketing	370	358	447	471
Administration	504	513	545	584
Total	1,929	2,033	2,245	2,370

We enter into employment contracts with our full-time employees, which contain confidentiality provisions.

As required by regulations in China, we participate in various employee social security plans that are administered by municipal and provincial governments for our PRC-based full-time employees, including housing, pension, medical insurance, unemployment insurance, injury insurance and maternity insurance. We are required under PRC law to make contributions to employee benefit plans for our PRC-based full-time employees at specified percentages of the total salaries, bonuses and certain allowance of our employees, up to a maximum amount specified by the relevant local governments in China from time to time.

None of our employees are represented by collective bargaining agreement. We believe that we maintain good relationships with our employees. We have not experienced any significant labor disputes.

Intellectual Property

Pursuant to license arrangements with HMH, we have been granted an exclusive, subject to certain pre-existing third party rights, and royalty-free right to use certain courseware developed by HMH before October 2011 in China permanently for after-school tutoring services for the primary purpose of teaching the English language to non-native English speaking students. The curricula of Rise Start and Rise On use this HMH courseware, along with other self-developed content. These arrangements also entitle us to develop derivative products based on this HMH courseware, including tailored lesson plans for teachers, practice and activity books for students and after-class materials for parents and students to enhance interaction and study at home. We own the intellectual property rights for all of these derivative products, subject to HMH's ownership of the intellectual property rights in its underlying courseware. We have complied with the licensing arrangements with HMH during our operations.

We also have self-developed courseware, course materials and complementary products. Moreover, the majority of trademarks that we have registered are related to our self-developed course materials or products.

Our trademarks, copyrights, domain names, trade secrets and other intellectual property rights distinguish our products from those of our competitors and contribute to our competitive advantage in our target markets. To protect our intellectual property, we reply on a combination of trademark, copyright and trade secret laws, and confidentiality agreements with our employees and contractors. We also regularly monitor any infringement or misappropriation of our intellectual property rights.

As of June 30, 2017, our intellectual property rights include the following:

- registration of ten domain names, including our *risecenter*, *rdchina*, *risechina*, *riseedu*, *risehongkong*, *seerabj*, *riselinkedu* and *e-learningkid* websites;
- 202 registered trademarks, including *Rise*, *Rise Immersion Subject English*, *Rismart*, *Pre-Rise*, *Mini Rise*, *Rise Pro*, *Rise Sat*, *Rise AP*, *Rise Act*, *Rise On*, *Rise Up*, *Rise Start* and *Rise Link*, each of which bolsters our strong brand recognition in China;

- 67 copyright registration in China; and
- one patent in China.

Facilities

Our office headquarters occupy approximately 2,600 square meters of leased office space in Beijing, China. We also maintain approximately 200 square meters of leased office space in Tianjin, China. One of our lease agreements will expire in 2018 and we believe substitute office space will be available if we decide not to renew our lease agreement after its expiration. We believe that our current facilities are suitable and adequately meet our current needs. We will consider expanding our current facilities if the number of our employees significantly increases.

We lease a total area of approximately 67,800 square meters for self-owned learning centers across China. These lease arrangements are typically for a period of at least five years, and are renewable upon mutual consent at the end of the lease period. Our franchise partners are responsible for entering into the lease arrangements for the premises on which our franchised schools are operated.

Insurance

We maintain various insurance policies to safeguard against risks and unexpected events. We maintain insurance to cover students and teachers' actual expenses for injuries they might sustain at our learning centers. We also maintain insurance to cover our liability should any injuries occur at our learning centers. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. See "Risk Factors—Risks Related to Our Business and Industry—We have limited insurance coverage with respect to our business and operations." We consider our insurance coverage to be in line with that of other ELT education providers of a similar scale in China.

Legal Proceedings

We are not aware of any unsettled litigations, legal proceedings, or claims to which we are a party that could materially affect our business, operational or financial position. We cannot predict whether we could become a party to any litigation, legal proceeding, or claim arising from the ordinary course of our business, which may, to various extents, affect our future results of business, operations and financial position.

REGULATION

We operate our business in China under a legal regime consisting of the National People's Congress, which is China's highest legislative body, the State Council, which is the highest authority of the executive branch of the PRC central government, and several ministries and agencies under its authority, including the Ministry of Education, or MOE, the State Administration of Press, Publication, Radio, Film and Television, or SAPPRFT, the Ministry of Industry and Information Technology, or MIIT, the Ministry of Civil Affairs, the State Administration for Industry & Commerce, or SAIC, and their respective local offices. This section summarizes the principal PRC regulations related to our business.

Regulations Related to Private Education in the PRC

Education Law of the PRC

On March 18, 1995, the National People's Congress of the PRC, or NPC, enacted the Education Law of the PRC, or Education Law, which was amended on August 27, 2009 and further amended on December 27, 2015. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising preschool education, elementary and middle school education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government formulates plans for the development of education, establishes and operates schools and other education institution. Furthermore, it provides that in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of education institutions in accordance with PRC laws and regulations.

The Law for Promoting Private Education and Its Implementation Rules

The Law for Promoting Private Education of the PRC became effective on September 1, 2003 and was amended on June 29, 2013. The Implementation Rules for the Law for Promoting Private Education of the PRC became effective on April 1, 2004. Under these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. Private schools that provide academic education, preschool education, education for self-study examination and other education shall be subject to approval by the education authorities at or above the county level, while private schools that engage in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a Permit for Operating a Private School, and shall be registered with the Ministry of Civil Affairs of the PRC, or MCA, or its local counterparts as a private non-enterprise institution. The measures governing for-profit training institutions registered with the Industry and Commerce Department shall be separately formulated by the State Council. As of June 30, 2017, we have established 16 schools in Beijing, Shanghai, Guangzhou and Shenzhen, which are required to obtain the Permits for Operating a Private School and register with relevant local counterparts of the MCA, and one non-school enterprise in Wuxi registered with the local industry and commerce department, which operates the same business as our private schools do, though it is not required by the local education authority to obtain the Permit for Operating a Private School. For a detailed description of the risks regarding not obtaining relevant permits, see "Risk Factors—Risks Related to Our Business and Industry—A number of learning centers operate without the required licenses, permits, filings or registrations."

Under the above regulations, entities and individuals who establish private schools are commonly referred to as "sponsors" rather than "owners" or "shareholders." The economic substance of "sponsorship" with respect to private schools is similar, in certain aspects, to that of shareholder's ownership with respect to companies in terms of legal, regulatory and tax matters. For example, the name of the sponsor shall be entered into the private schools' articles of association and Permit for Operating a Private School, similar to that of shareholders where their names shall be entered into the company's articles of associations and corporate records filed with relevant

authority. From the perspective of control, the sponsor of a private school also has the right to exercise ultimate control over the school by means such as adopting the private school's constitutional documents, electing the school's decision-making bodies, including the school's board of directors and principals. The sponsor can also profit from the private schools by receiving "reasonable returns," as explained in detail below, or disposing its sponsorship interests in the schools for economic gains. However, the rights of sponsors vis-à-vis private schools also differ from the rights of shareholders vis-à-vis companies. For example, under PRC laws, a company's ultimate decision-making body is its shareholders meeting, while for private schools, it is the board of directors, or board of members, though the members of which are substantially appointed by the sponsor. The sponsorship interest also differs from the ownership interests with regard to the right to the distribution of residual properties upon liquidation of a private school. While private education is treated as a public welfare undertaking under the above regulations, sponsors of a private school may choose to require "reasonable returns" from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. Private schools whose sponsor does not require reasonable returns shall be entitled to the same preferential tax treatment as public schools, while the preferential tax treatment policies applicable to private schools whose sponsor requires reasonable returns shall be formulated by the finance authority, taxation authority and other authorities under the State Council. As of June 30, 2017, among our 16 private schools, 14 were registered as schools requiring reasonable returns, and two were registered as schools not requiring reasonable returns.

No nationwide regulation has been promulgated to regulate the establishment of additional learning centers outside the registered address of a school to date, and different provinces or cities have adopted different procedures. For example, in Beijing, Shenzhen and Guangzhou, an additional learning center shall be located in the same district where the private school is registered and the establishment of an additional learning center is subject to a prior approval or filing procedure with relevant education authority. In Shanghai, an additional learning center is allowed to be established across different district from where the school is registered, provided that it is approved by relevant education authority. Among the 54 self-owned learning centers operated by our 16 schools as of June 30, 2017 (other than the other two self-owned learning centers operated by our non-school enterprise in Wuxi), 16 are located in the same address where the schools are registered, four are located in the same address where the schools are applying for registration, and 34 are located outside the registered addresses of those schools and thus are subject to approvals by or filings with local education authorities.

On November 7, 2016, NPC issued the Amended Law on the Promotion of Private Education, which came into force on September 1, 2017. Under the Amendment, the term "reasonable return" is no longer used and sponsors of private school may choose to establish non-profit or for-profit schools at their own discretion. Nonetheless, school sponsors are not allowed to establish for-profit schools that are engaged in compulsory education. The Amendment further establishes a new classification system for private schools depending on whether they are established and operated for profit-making purposes. According to the Amendment, the key features of the aforesaid new classification system for private schools include the following:

- *Profit distribution.* Sponsors of for-profit schools may adopt the form of a corporation under the PRC Company Law, which are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors, i.e. the shareholders, pursuant to the PRC Company Law and other relevant laws and regulations. Sponsors of non-profit schools are not entitled to the distribution of profits or proceed from the non-profit schools and all operation surplus of non-profit schools shall be used for the operation of the non-profit schools;
- *Tuition.* For-profit private schools are entitled to set their own tuition and other miscellaneous fees without the need to seek prior approvals from the relevant government authorities. The collection of fees by non-profit schools, on the other hand, shall be regulated by the provincial, autonomous regional or municipal governments;
- *Government Support.* Taxation policies for for-profit private schools are still unclear as more specific provisions are yet to be introduced. On the other hand, non-profit schools enjoy more supportive measures than for-profit schools, such as government subsidies, fund awards and incentive donations.

For example, non-profit schools will enjoy the same preferential tax treatments as public schools. Furthermore, non-profit schools enjoy the same treatment as public schools with respect to the supply of land, which will be supplied by the government through allocation or other means, while land will be supplied to for-profit schools in accordance with applicable laws; and

- *Liquidation.* The remaining assets of for-profit schools shall be distributed to the sponsors in accordance with the PRC Company Law, while the remaining assets of non-profit private schools after liquidation shall continue to be used for the operation of non-profit schools.

On December 29, 2016, the State Council issued the Several Rules of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education, or State Council Rules, which request to ease the access to the operation of private schools and encourages social forces to enter the education industry. The State Council Rules also provide that each level of the people's governments shall increase their support to the private schools in terms of financial investment, financial support, autonomy policies, preferential tax treatments, land policies, fee policies, autonomy operation, protecting the rights of teachers and students etc.

On December 30, 2016, MOE, MCA, SAIC, the Ministry of Human Resources and Social Security, or MOHRSS, and the State Commission Office of Public Sectors Reform, or SCOPSR, jointly issued the Implementation Rules on the Classification Registration of Private Schools to reflect the new classification system for private schools as set out in the Amendment. Generally, if a private school established before promulgation of the Amendment chooses to register as a non-profit school, it shall amend its articles of association, continue its operation and complete the new registration process. If such private school chooses to register as a for-profit school, it shall conduct financial liquidation process, have the property rights of its assets such as lands, school buildings and net balance being examined by relevant government authorities, pay up relevant taxes, apply for a new Permit for Operating a Private School, re-register the for-profit school as a corporation and continue its operation. Specific provisions regarding the above registrations are yet to be introduced by people's governments at the provincial level. After specific rules to implement the Amended Law on the Promotion of Private Education are issued by provincial governments, we will be required to re-register our schools either as non-profit schools or for-profit schools according to PRC company law. In light of the practical time required to complete such process, we expect there might be a transition period for private schools to complete the aforesaid required re-registration process which we believe would not materially or adversely affect our business and results of operations.

On December 30, 2016, the MOE, SAIC and MOHRSS jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools, pursuant to which the establishment, division, merger and other material changes of a for-profit private school shall first be approved by the education authorities or the authorities in charge of labor and social welfare, as the case may be, and then be registered with the competent branch of SAIC.

On September 1, 2017, SAIC and MOE jointly issued the Notice of Relevant Work on the Registration and Management of the Name of For-Profit Private Schools, which specifies the requirements on the names of for-profit private schools.

Foreign Investment in Private Education

In 1995, the National Development and Reform Commission, or NDRC, and MOFCOM promulgated the Foreign Investment Industries Guidance Catalog, or Foreign Investment Catalog, as amended on June 28, 2017 and effective on July 28, 2017, pursuant to which (1) non-academic occupational skill training education is categorized as an encouraged industry for foreign investors, (2) preschool education, high school education and higher education are restricted industries for foreign investors, and foreign investments are only allowed to invest in preschool education, high school education and higher education in cooperative ways and the domestic party shall hold a dominant position in the cooperation, and (3) compulsory education, i.e., elementary school and middle school education, is a prohibited industry for foreign investors. Other education related businesses that are not encouraged, restricted or prohibited fall into the allowed industry. As such, our business falls into the category of allowed industry for foreign investment under the Foreign Investment Catalog.

Sino-foreign cooperation in school operation is specifically governed by the Regulation on Operating Sino-foreign Schools of the PRC, which was promulgated by the State Council on March 1, 2003, as amended on July 18, 2013. In addition, The Implementing Rules for the Regulations on Operating Sino-foreign Schools was promulgated by MOE on June 2, 2004 and became effective on July 1, 2004. Pursuant to this regulation and these rules, any foreign entity that invests in the education business in China through sino-foreign cooperation must be an educational institution with relevant experience in providing educational services outside China. Our offshore holding companies are not educational institutions and, to comply with PRC laws and regulations, have entered into a series of contractual arrangements with our VIE and its schools and shareholders.

On June 18, 2012, MOE issued the Implementation Opinions of MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education to encourage private investment and foreign investment in the field of education. According to these laws, regulations and opinions, the proportion of foreign capital in a PRC-foreign cooperative education institute shall be less than 50%.

Collection of Private Education Fees

Pursuant to the Interim Measures for the Management of the Collection of Private Education Fees, which was promulgated by NDRC, MOE and MOHRSS on March 2, 2005, the types and amounts of fees charged by a private school providing academic education shall be examined and verified by education authorities or the labor and social welfare authorities and approved by the governmental pricing authorities. A private school that provides non-academic education shall file its pricing information with the governmental pricing authority and publicly discloses such information. If a school raises its tuition levels without obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws.

According to the Amended Law on the Promotion of Private Education, the fees charged by for-profit schools are determined by the schools at their discretion, while the fees charged by non-profit schools shall be regulated by the relevant local government authorities.

Regulations Related to Publishing and Distribution of Publications

The State Council promulgated the Administrative Regulations on Publication, or the Publication Regulations, on December 25, 2001, as amended on February 2, 2016. The Publication Regulations apply to publication activities, i.e., the publishing, printing, copying, importation or distribution of publications, including books, newspapers, periodicals, audio and video products and electronic publications, each of which requires approval from the relevant publication administrative authorities.

In addition, the former General Administration of Press and Publication and MOFCOM issued the Administrative Regulations on Publications Market on July, 24, 2003, as amended by SAPPRFT and MOFCOM on May 31, 2016. According to the Administrative Regulations on Publications Market, any organization or individual engaged in general wholesale or retail distribution of publications shall obtain a Permit for Operating Publications Business.

Rise Tianjin, our PRC subsidiary, obtained the Permit for Operation Publications Business on August 17, 2015.

Measure for Punishment for Violation of Professional Ethics of Primary and Secondary School Teachers

On January 11, 2014, MOE promulgated the Measures for Punishment for Violation of Professional Ethics of Primary and Secondary School Teachers, which prohibits teachers of primary and secondary schools from providing paid tutoring in schools or in out-of-school learning centers. For a detailed description of the risk associated with these matters, see “Risk Factors—Risk Related to Our Business and Industry—We may not be able to continue to recruit, train and retain a sufficient number of qualified teachers.”

Regulations Related to Online Business

Internet Information Services

The State Council promulgated the Internet Information Services Administrative Measures, or Internet Information Measures, on September 25, 2000, as amended on January 8, 2011. According to the Internet Information Measures, Internet information services refer to service activities which provide information to online users through the Internet, which are divided into services of a commercial nature and services of a non-commercial nature. Commercial Internet information services refer to compensatory services which establish websites providing information to online users through the Internet, while non-commercial Internet information services refer to non-compensatory services which provide public information to online users through the Internet. Entities engaging in commercial Internet information services shall obtain a license for Internet information services, or ICP license, from the appropriate telecommunications authorities. Entities engaging in non-commercial Internet information services shall file for record with the telecommunications authorities.

Broadcasting Audio-Video Programs through the Internet or Other Information Network

On July 6, 2004, the former State Administration of Radio, Film and Television, or SARFT, promulgated the Rules for the Administration of Broadcasting of Audio/Video Programs through the Internet and Other Information Networks, or the A/V Broadcasting Rules. The A/V Broadcasting Rules apply to the launch, broadcasting, aggregation, transmission or download of audio/video programs via televisions, mobile phones and the Internet and other information networks. Anyone who wishes to engage in Internet broadcasting activities must first obtain an audio/video program transmission license, with a term of two years, issued by SARFT and operate pursuant to the scope as provided in such license. Foreign invested enterprises are not allowed to engage in the above business.

On April 13, 2005, the State Council announced Several Decisions on Investment by Non-state-owned Companies in Culture-related Business in China. These decisions encourage and support non-state-owned companies to enter certain culture-related business in China, subject to restrictions and prohibitions for investment in audio/video broadcasting, website news and certain other businesses by non-state-owned companies. These decisions authorize SARFT, the Ministry of Culture, or MOC, and the former General Administration of Press and Publication, or GAPP, to adopt detailed implementation rules according to these decisions.

On December 20, 2007, SARFT and the former Ministry of Information Industry, or MII, jointly issued the Rules for the Administration of Internet Audio and Video Program Services, commonly known as Circular 56, which came into effect as of January 31, 2008 and was further amended on August 8, 2015. Circular 56 reiterates the requirement set forth in the A/V Broadcasting Rules that online audio/video service providers must obtain an “Internet audio/video program transmission license” from SARFT. Furthermore, Circular 56 requires all online audio/video service providers to be either wholly state-owned or state-controlled companies. On April 1, 2010, SARFT promulgated the Tentative Categories of Internet Audio-Visual Program Service, or the Categories, as amended on March 3, 2017, which clarified the scope of Internet Audio-Visual Programs. According to the Categories, there are four categories of Internet audio-visual program service which in turn are divided into seventeen sub-categories. The third sub-category of the second sub-category covers the making and broadcasting of certain specialized audio-visual programs concerning art, culture, technology, entertainment, finance, sports, and education.

On June 1, 2016, SAPPRFT promulgated the Provisions on the Administration of Private Network and Targeted Communication Audiovisual Program Services. This regulation applies to “private network and targeted communication audiovisual program services,” i.e. the provision of radio and TV program and other audiovisual program services to the targeted audience with TV, and all types of handheld electronic equipment, etc., as terminal recipients, and through setting up virtual private network through local area networks and

Internet or with Internet and other information networks as targeted transmission channels, including the provision of contents, integrated broadcast control, transmission and distribution, and other activities conducted by such forms as Internet protocol television (IPTV), private network mobile TV, and Internet TV. Whoever provides private network and targeted communication audiovisual program services, such as content provision, integrated broadcast control, and transmission and distribution, shall obtain a License for the Dissemination of Audiovisual Programs through Information Network in accordance with the Provisions on the Administration of Private Network and Targeted Communication Audiovisual Program Services.

Internet Culture Activities

On February 17, 2011, MOC promulgated the Interim Administrative Provisions on Internet Culture, or the Internet Culture Provisions, which became effective on April 1, 2011. The Internet Culture Provisions require ICP services providers engaging in commercial Internet culture activities to obtain a permit from the appropriate culture authority. Internet cultural activities includes (i) the production, duplication, importation, and broadcasting of the Internet cultural products; (ii) the online dissemination whereby cultural products are posted on the Internet or transmitted via the Internet to end-users, such as computers, fixed-line telephones, mobile phones, television sets and games machines, for online users' browsing, use or downloading; and (iii) the exhibition and comparison of the Internet cultural products. Internet cultural products is defined in the Internet Culture Provisions as cultural products produced, broadcast and disseminated via the Internet, which mainly include Internet cultural products specially produced for the Internet, such as online music entertainment, online games, online shows and plays, online performances, online works of art and online cartoons, and Internet cultural products produced from cultural products such as music entertainment, games, shows and plays, performances, works of art, and cartoons through certain techniques and duplicate those to Internet for dissemination.

Internet Publishing

On February 4, 2016, SAPPRFT and MIIT jointly issued the Administrative Measures of Internet Publishing Services, or the Internet Publishing Measures. According to the Internet Publishing Measures, an online publishing services permit shall be obtained to provide online publishing services. Online publishing services refer to providing online publications to the public through information networks. Online publications refer to digital works with publishing features such as having been edited, produced or processed and are made available to the public through information networks, including: (i) written works, pictures, maps, games, cartoons, audio/video reading materials and other original digital works containing useful knowledge or ideas in the field of literature, art, science or other fields; (ii) digital works of which the content is identical to that of any published book, newspaper, periodical, audio/video product, electronic publication or the like; (iii) network literature databases or other digital works, derived from any of the aforesaid works by selection, arrangement, collection or other means; and (iv) other types of digital works as may be determined by SAPPRFT.

Under PRC laws and regulations, we may be required to obtain an ICP license, an internet audio or video program transmission license, an internet culture permit and an online publishing services permit for the operation of our online educational products, such as Rise Up and Can-Talk. See "Risk Factors—Risks Related to Our Business and Industry—A number of learning centers operate without the required licenses, permits, filings or registrations."

Regulations Related to Franchise

The State Council promulgated the Administrative Regulations on Commercial Franchising, or Franchise Regulations, on February 6, 2007. MOFCOM promulgated the Administrative Measures on Filing of Commercial Franchise, or the Franchise Filling Measures, on April 30, 2007, as amended on December 12, 2011, as well as the Administrative Measures on Information Disclosure of Commercial Franchise, or Franchise Information Disclosure Measures, on April 30, 2007, as amended on February 23, 2012.

Under the above regulations, franchise operations refer to a license by an enterprise owner of registered trademarks, enterprise logos, patents, proprietary technologies or other business resources, or franchisor, to another business operator, or franchisee, to use such business resources owned by the franchisor through a contractual arrangement, where the franchisee operates the business according to a uniform business model stipulated under the contract and pay the franchisor franchising fees.

When engaging in a franchise operation, a franchisor and a franchisee shall enter into a written franchise contract containing several key elements such as basic information of the franchisor and the franchisee, terms and conditions of the franchise operation. A franchisor shall file with MOFCOM or its local office within 15 days from the date of entering into a franchise contract with a franchisee for the first time, and shall report to the filing agency on information on franchise contracts executed, revoked, terminated or renewed in the preceding year before March 31 of each year.

Given that our franchised learning centers are owned and operated by our franchise partners, and we only provide franchise services to our franchise partners rather than operating those franchised learning centers directly, the regulations related to foreign investment in the education industry do not apply to our franchising activities. Beijing Step Ahead, our VIE, is the entity owning business resources, including certain registered trademarks and logos, and entering into franchise agreements with our franchise partners. Beijing Step Ahead has filed with MOFCOM all the franchise agreements that have been executed as of June 30, 2017.

Regulations Related to Intellectual Property Protection

Copyright

NPC amended the Copyright Law in 2001 to widen the scope of works and rights that are eligible for copyright protection. The amended Copyright Law extends copyright protection to Internet activities, products disseminated over the Internet and software products. In addition, there is a voluntary registration system administered by the China Copyright Protection Center. The Copyright Law was further amended on February 26, 2010.

To address copyright infringement related to contents posted or transmitted over the Internet, the National Copyright Administration and MII jointly promulgated the Administrative Measures for Copyright Protection Related to the Internet on April 30, 2005. These measures became effective on May 30, 2005.

Trademark

Pursuant to the Trademark Law of the PRC, or the Trademark Law, which was amended on August 30, 2013 and became effective from May 1, 2014, registered trademarks refer to trademarks that have been approved and registered by the Trademark Office of the State Administration for Industry & Commerce, which include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by law.

Domain name

Pursuant to the Measures for the Administration of Internet Domain Names of the PRC, which was promulgated by MIIT on November 5, 2004 and became effective from December 20, 2004, domain name shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the Internet and corresponds to the Internet protocol (IP) address of that computer and the principle of “first come, first serve” is followed for the domain name registration service. After completing the domain name registration, the registrant becomes the holder of the domain name registered by him/her/it. Furthermore, the holder shall pay operation fees for registered domain names on time in accordance with the schedule set by the relevant domain name registrar. If the domain name holder fails to pay the corresponding fees as required, the domain name registrar will cancel the domain name and notify the holder in writing.

Regulations Related to Foreign Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, which were most recently amended in August 2008. Payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can usually be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate PRC authorities or banks authorized by appropriate PRC authorities is required where RMB capital is to be converted into foreign currency and remitted out of China to pay capital expenses.

From 2012, SAFE has promulgated several circulars to substantially amend and simplify the current foreign exchange procedure. Pursuant to these circulars, the opening of various special purpose foreign exchange accounts, the reinvestment of RMB proceeds by foreign investors in the PRC and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE. In addition, domestic companies are no longer limited to extend cross-border loans to their offshore subsidiaries but are also allowed to provide loans to their offshore parents and affiliates and multiple capital accounts for the same entity may be opened in different provinces. SAFE also promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated SAFE Circular 13, which took effect on June 1, 2015. SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments. On January 26, 2017, SAFE issued SAFE Circular 3, which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years' losses before remitting the profits.

Regulations Related to Employee Share Incentive Awards Granted by Listed Companies

On February 15, 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies issued by SAFE on March 28, 2007. Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to our share incentive plans if there are any material changes to the share incentive plans, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted incentive shares will be subject to these regulations upon the completion of this offering.

Regulations Related to Foreign Direct Investment in the PRC

According to the previous PRC regulations on direct foreign investment, capital contributions from foreign investors to its PRC subsidiaries, which are considered as foreign-invested enterprises, may only be made when approval by MOFCOM or its local counterpart is obtained.

On September 3, 2016, the Standing Committee of NPC passed amendments to the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Foreign Owned Enterprise Law. The amended laws provide that, with respect to matters involving foreign-invested enterprises that are not captured by the special administrative measures specified or approved by the State Council, a record-filing requirement, instead of the approval requirement otherwise provided in the laws, will be applicable. MOFCOM promulgated the Provisional Measures on Administration of Filing for Establishment and Change of Foreign Investment Enterprises on October 8, 2016 and further amended it on July 30, 2017, which set forth detailed guidance on, among other things, the scope of application timing, process, information required for the filing, and authorities in charge of the filing. The Foreign Investment Catalog, promulgated by the NDRC and MOFCOM on June 28, 2017 and became effective on July 28, 2017 sets out the special administrative measures for admission of foreign investment, i.e. the negative list for admission of foreign investments, including restricted industries and prohibited industries.

Given that registered capital and total investment amount of Rise Tianjin are currently the same, if we seek to make a capital contribution to Rise Tianjin we must first apply to increase both its registered capital and total investment amount, while if we seek to provide a loan to Rise Tianjin, we must first increase its total investment amount. Although we currently do not plan to utilize the proceeds from this offering to increase the registered capital of Rise Tianjin, or to provide any loan to Rise Tianjin or our VIE and its subsidiaries or schools, if we seek to do so in the future, we may not be able to obtain the required government approvals or complete the required registrations on a timely basis, if at all. See “Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries and consolidated affiliates, which could materially and adversely affect our liquidity and our ability to fund and expand our business.”

The Draft Foreign Investment Law

On January 19, 2015, the MOFCOM published the Draft Foreign Investment Law and the accompanying explanatory note of the Draft Foreign Investment Law, or the Explanatory Note, which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of business in the PRC controlled by foreign invested enterprises, or FIEs, primarily through contractual arrangements. The Draft Foreign Investment Law and the Explanatory Note have not been finalized and have not come into effect. The Draft Foreign Investment Law is intended to replace the current foreign investment legal regime consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Foreign Owned Enterprise Law, as well as detailed implementing rules.

The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime and introduced the concept of “actual control” determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through contractual arrangements, such enterprise may be regarded as a FIE. Such FIE is restricted or prohibited from investment in certain industries listed on the negative list unless permission from the competent authority in the PRC is obtained. The Draft Foreign Investment Law also provides that any FIEs operating in industries on the negative list will require entry clearance and other approvals that are not required of PRC domestic entities. As a result of the entry clearance and approvals, FIEs operating in industries on the negative list may not be able to continue to conduct their operations through contractual arrangements.

Pursuant to the Draft Foreign Investment Law, as far as new VIE structures are concerned, if the domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore, the VIE structures may be regarded as legal. On the contrary, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore, the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the negative list and the domestic enterprise does not apply for and obtain the necessary approval.

Regulations Related to Loans to the PRC Entities by Offshore Holding Companies and Cross-border Guarantee

According to the Implementation Rules for the Provisional Regulations on Statistics and Supervision of Foreign Debt promulgated by SAFE on August 27, 1987, the Implementing Rules on Statistics and Supervision of Foreign Debt by SAFE on September 24, 1997, and the Interim Provisions on the Management of Foreign Debts promulgated by SAFE, NDRC and MOFCOM and effective from March 1, 2003, loans by foreign companies to their subsidiaries in China, which accordingly are foreign-invested enterprises, are considered foreign debt, and such loans must be registered with the local branches of SAFE. Under the provisions, the total amount of accumulated medium-term and long-term foreign debt and the balance of short-term debt borrowed by a foreign-invested enterprise is limited to the difference between the total investment and the registered capital of the foreign- invested enterprise. Total investment of a foreign-invested enterprise is the total amount of capital that can be used for the operation of the foreign-invested enterprise, and registered capital of a foreign-invested enterprise is the total amount of capital contributions to the foreign-invested enterprise by its foreign holding company or owners. On April 28, 2013, SAFE promulgated the Measures for the Administration of Foreign Debt Registration, further formulating the registration requirements of foreign debts.

On May 12, 2014, SAFE promulgated the Provisions on Foreign Exchange Administration of Cross-border Guarantee, under which overseas lending secured by domestic guarantee, whereby the place of the registration of the guarantor is within the PRC, while the places of registration of both the debtor and the creditor are outside the PRC, is a kind of cross-border guarantee, and the domestic guarantee shall register the guarantee contract with a local branch of SAIF within 15 working days after the conclusion of the guarantee contract.

M&A Regulations and Overseas Listings

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (1) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (2) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. The M&A Rules require offshore special purpose vehicles formed for overseas listing purposes through acquisitions of PRC domestic companies and controlled by PRC domestic enterprises or individuals to obtain the approval of CSRC prior to publicly listing their securities on an overseas stock exchange.

MANAGEMENT

Directors and Executive Officers

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

Directors and Executive Officers	Age	Position/Title
Lihong Wang	49	Chairwoman
Zhongjue Chen	38	Director
David Benjamin Gross-Loh	46	Director
Yiding Sun	49	Director, Chief Executive Officer
Jiandong Lu	48	Director Appointee*
Yong Chen	56	Director Appointee*
Chelsea Qingyan Wang	44	Chief Financial Officer
Sally Xue Yuan	40	Senior Vice President of Academics

* Has accepted a director appointment, which will be effective upon the SEC's declaration of effectiveness of the registration statement on Form F-1, of which this prospectus is a part.

Lihong Wang has served as our director since September 2013 and was appointed our chairwoman in October 2017. Ms. Wang has 11 years of experience in private equity industry. Ms. Wang joined Bain Capital Asia in 2006 and has served as a managing director since January 2011. Ms. Wang served as an executive director in Morgan Stanly Dean Witter Asia Limited from 2005 to 2006. She served as a vice president in J.P. Morgan Securities (Asia Pacific) Limited from 2001 to 2005. She served as an associate and a manager in Credit Suisse First Boston from 1996 to 2001. Ms. Wang served as a deputy division chief in China Securities Regulatory Commission from 1993 to 1996. She served as a research associate in Stock Exchange Executive Council from 1990 to 1993. Ms. Wang received an MBA degree from Columbia Business School in 1999 and a Bachelor of Science degree from Fudan University in 1990.

Zhongjue Chen has served as our director since October 2013. Mr. Chen has over 14 years of experience in the investment, finance and consulting industries in the United States and Asia. Mr. Chen joined Bain Capital Private Equity in 2005 and is currently a managing director, mainly responsible for managing Bain Capital's private equity investments in Greater China and Asia Pacific region. His focus is on the technology, media, education and business services sectors. Mr. Chen served as an associate consultant in Bain & Company from 2001 to 2003, serving clients in the consumer products, financial services and healthcare sectors. Mr. Chen received an MBA degree from Harvard Business School in 2005 and a Bachelor's degree in economics from Harvard College in 2001.

David Benjamin Gross-Loh has served as our director since July 2013. Mr. Gross-Loh currently serves as the director in Skylark Co. Ltd and Macromill, Inc., each of which is listed in Tokyo. Mr. Gross-Loh has many years of experience both as a senior executive of a large investment firm and as a director of companies across various business sectors. Mr. Gross-Loh joined Bain Capital Private Equity in 2000 and has served as a managing director since 2008. Mr. Gross-Loh received an MBA degree from Harvard Business School in 1998 and a Bachelor of Science degree from Wharton School, University of Pennsylvania in 1992.

Yiding Sun has served as our chief executive officer since August 2013 and as our director since September 2013. Mr. Sun has six years of experience in education industry. Prior to joining us, Mr. Sun served as chief executive officer in Gymboree China Group from 2011 to 2013. Mr. Sun also served as the executive director, vice president of operation, vice chairman and manager in Gome Electrical Appliances Holding Ltd., a company

listed on the Stock Exchange of Hong Kong, from 1999 to 2011. During his time at Gome Electrical Appliances Holding, he obtained ample managerial experience in equity trading and investments, commercial real estate management, mergers and acquisitions, strategic planning, marketing and sales and multi-brand operation. Mr. Sun received an EMBA degree from China Europe International Business School in 2013 and a bachelor's degree in science from East China University of Science and Technology in 1990.

Jiandong Lu will serve as our independent director immediately upon the effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Mr. Lu has served as a managing director in the Global Real Asset Asia Fund of J.P. Morgan Asset Management from 2015 to 2017, and served as a managing director and chief operating officer in J.P. Morgan First Capital Securities Ltd. from 2012 to 2015. Mr. Lu joined J.P. Morgan Securities (Asia Pacific) Ltd. as an associate in 2001 and became a managing director in 2011. Mr. Lu served as a senior representative in John Hancock Mutual Life Insurance Company from 1994 to 1999, and he also served as a public officer and chief translator in The Chinese People's Friendship Association with Foreign Countries from 1991 to 1994. Mr. Lu received an MBA degree from the Wharton School at the University of Pennsylvania in 2001 and a Bachelor's degree from Beijing International Studies University in 1991.

Yong Chen will serve as our independent director immediately upon effectiveness of our registration statement on Form F-1, of which this prospectus is a part. Mr. Chen has been a professor at the University of California, Irvine, or UCI, since 1993, where he began as an assistant professor, then as an associate professor in 1999 before attaining full professorship in 2014. He has also served as an associate dean for curricular and student services since 2017. Mr. Chen was a guest professor at Nanchang Hangkong University from 2014 to 2015, a guest professor at Hebei Normal University from 2009 to 2010, and a guest professor at Huazhong University of Science and Technology from 2003 to 2005. Mr. Chen received a PhD degree in history from Cornell University in 1993, a Master's degree in history from Peking University in 1985 and a Bachelor's degree in history from Peking University in 1982.

Chelsea Qingyan Wang has served as our chief financial officer since 2016. Ms. Wang has five years of experience in education industry and 15 years of experience in information technology industry. Prior to joining us, Ms. Wang served as the chief financial officer in Global Education & Technology Co. from 2014 to 2016, and the chief financial officer and board director in Wolters Kluwer Great China from 2012 to 2014. She also had worked with IBM Great China Group from 1998 to 2012, serving as chief financial officer in IBM China Research Lab and financial controller in IBM Greater China Group Global Business Service Team from 2007 to 2012. Ms. Wang received a Bachelor of Arts degree from Jiangxi University of Finance and Economics in 1995. She is the certified member of Chartered Global Management Accountant and the fellow member of Chartered Institute of Management Accountant.

Sally Xue Yuan has served as our senior vice president of academics since October 2007. Ms. Yuan has 16 years of experience in education industry. She is also the secretary-general of the English Education Research Branch of the Beijing Education Institute and leads several research groups in connection with China's 12th five-year national subject research. Ms. Yuan currently participates in a project led by China National Institute of Standardization and China Quality Certification Center to establish the industry standard of subject English education. Prior to joining us, Ms. Yuan worked as a student teacher in several public elementary schools in New York from 2004 to 2006. Ms. Yuan served as an English teacher in Qingdao No. 1 Railway Middle School from 1996 to 1999. Ms. Yuan received a Master's degree in Elementary Education from Hofstra University in 2006 and a Bachelor's degree in English from Shandong University in 2000.

Board of Directors

Our board of directors will consist of no less than three directors upon the SEC's declaration of effectiveness of our registration statement on Form F-1 to which this prospectus forms a part. A director is not required to hold any shares in our company to qualify to serve as a director. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his interest at a meeting of our directors. A general notice given to the directors by any

director to the effect that he is a member, shareholder, director, partner, officer or employee of any specified company or firm and is to be regarded as interested in any contract or transaction with that company or firm shall be deemed a sufficient declaration of interest for the purposes of voting on a resolution in respect to a contract or transaction in which he has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement is considered. Our board of directors may exercise all of the powers of our company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock or other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third-party. None of our directors has a service contract with us that provides for benefits upon termination of service.

Committees of the Board of Directors

Prior to the completion of this offering, we intend to establish an audit committee, a compensation committee and a corporate governance and nominating committee under the board of directors. We intend to adopt a charter for each of the three committees prior to the completion of this offering. Each committee's members and functions are described below.

Audit Committee. Our audit committee will consist of Jiandong Lu, Yong Chen and Lihong Wang, and will be chaired by Lihong Wang. Jiandong Lu and Yong Chen satisfy the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market and meet the independence standards under Rule 10A-3 under the Exchange Act. Our audit committee will consist solely of independent directors that satisfy the Nasdaq and SEC requirements within one year of the completion of this offering. Our board of directors has also determined that Jiandong Lu qualifies as an "audit committee financial expert" within the meaning of the SEC rules and possesses financial sophistication within the meaning of the Listing Rules of the NASDAQ Stock Market. The audit committee will oversee our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee will be responsible for, among other things:

- selecting our independent registered public accounting firm and pre-approving all auditing and non-auditing services permitted to be performed by our independent registered public accounting firm;
- reviewing with our independent registered public accounting firm any audit problems or difficulties and management's response and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K;
- discussing the annual audited financial statements with management and our independent registered public accounting firm;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately and periodically with the management and our internal auditor and our independent registered public accounting firm;
- reporting regularly to the full board of directors;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any steps taken to monitor and control major financial risk exposure; and
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time.

Compensation Committee. Our compensation committee will consist of Jiandong Lu, Yong Chen and Zhongjue Chen, and will be chaired by Zhongjue Chen. Jiandong Lu and Yong Chen satisfy the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market. Our compensation

committee will assist the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our chief executive officer may not be present at any committee meeting during which his compensation is deliberated upon. The compensation committee will be responsible for, among other things:

- reviewing and approving to the board with respect to the total compensation package for our most senior executive officers;
- approving and overseeing the total compensation package for our executives other than the most senior executive officers;
- reviewing and recommending to the board with respect to the compensation of our directors;
- reviewing periodically and approving any long-term incentive compensation or equity plans;
- selecting compensation consultants, legal counsel or other advisors after taking into consideration all factors relevant to that person's independence from management; and
- programs or similar arrangements, annual bonuses, employee pension and welfare benefit plans.

Corporate Governance and Nominating Committee. Our corporate governance and nominating committee will consist of Jiandong Lu, Yong Chen and Lihong Wang, and will be chaired by Lihong Wang. Jiandong Lu and Yong Chen satisfy the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market. The corporate governance and nominating committee will assist the board of directors in selecting individuals qualified to become our directors and in determining the composition of the board of directors and its committees. The corporate governance and nominating committee will be responsible for, among other things:

- identifying and recommending nominees for election or re-election to our board of directors or for appointment to fill any vacancy;
- reviewing annually with our board of directors its current composition in light of the characteristics of independence, age, skills, experience and availability of service to us;
- identifying and recommending to our board the directors to serve as members of committees;
- advising the board periodically with respect to significant developments in the law and practice of corporate governance as well as our compliance with applicable laws and regulations, and making recommendations to our board of directors on all matters of corporate governance and on any corrective action to be taken; and
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance.

Duties of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly, and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to exercise the skill they actually possess and such care and diligence 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 memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- convening shareholders' annual general meetings and reporting its work to shareholders at such meetings;

- declaring dividends and distributions;
- appointing officers and determining the term of office of officers;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- approving the transfer of shares of our company, including the registering of such shares in our share register.

Terms of Directors and Executive Officers

Each of our directors shall hold office until the expiration of his or her term and his or her successor shall have been elected and qualified, or until his or her office is otherwise vacated. All of our executive officers are appointed by and serve at the discretion of our board of directors. Our directors may be removed from office by an ordinary resolution of shareholders. In addition, a director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found to be or becomes of unsound mind; (iii) resigns by notice in writing to our company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; (v) is prohibited by law from being a director; or (vi) is removed from office pursuant to any other provisions of our post-IPO memorandum and articles of association. The compensation of our directors is determined by the board of directors. There is no mandatory retirement age for directors.

Employment Agreements and Indemnification Agreements

We expect to standardize employment agreements with our executive officers. Each of our executive officers is employed for a continuous term, or a specified time period which will be automatically extended, unless either we or the executive officer gives prior notice to terminate such employment. We may terminate the employment for cause, at any time, without notice or remuneration, for certain acts of the executive officer, including but not limited to the commitments of any serious or persistent breach or non-observance of the terms and conditions of the employment, conviction of a criminal offense other than one which in the opinion of the board does not affect the executive's position, wilful, disobedience of a lawful and reasonable order, misconducts being inconsistent with the due and faithful discharge of the executive officer's material duties, fraud or dishonesty, or habitual neglect of his or her duties. An executive officer may terminate his or her employment at any time with a three- to six-month prior written notice.

Each executive officer is expected to hold, both during and after the employment agreement expires or is earlier terminated, in strict confidence and not to use or disclose to any person, corporation or other entity without written consent, any confidential information or trade secrets. Each executive officer is expected to disclose in confidence to us all inventions, intellectual and industry property rights and trade secrets which they made, discover, conceive, develop or reduce to practice during the executive officer's employment with us and to assign to our company all his or her all associated titles, interests, patents, patent rights, copyrights, trade secret rights, trademarks, trademark rights, mask work rights and other intellectual property and rights anywhere in the world which the executive officer may solely or jointly conceive, invent, discover, reduce to practice, create, drive, develop or make, or cause to be conceived, invented, discovered, reduced to practice, created, driven, developed or made, during the period of the executive officer's employment with us that are either related to our business, actual or demonstrably anticipated research or development or any of our products or services being developed, manufactured, marketed, sold, or are related to the scope of the employment or make use of our resources. In addition, all executive officers have agreed to be bound by non-competition and non-solicitation restrictions set forth in their agreements. Each executive officer has agreed to devote all his or her working time and attention to our business and use best efforts to develop our business and interests. Moreover, each executive officer has agreed not to, for a certain period following termination of his or her employment or expiration of the employment agreement: (i) carry on or be engaged, concerned or interested directly or indirectly whether as

shareholder, director, employee, partner, agent or otherwise carry on any business in direct competition with us, (ii) solicit or entice away any of our customer, client, representative or agent, or (iii) employ, solicit or entice away or attempt to employ, solicit or entice away any of our officers, managers, consultants or employees.

We expect to enter into indemnification agreements with our directors and executive officers, pursuant to which we will agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or an executive officer.

Interested Transactions

A director may, subject to any separate requirement for audit committee approval under applicable law or the Listing Rules of the NASDAQ Stock Market, vote in respect of any contract or transaction in which he or she is interested. A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his interest at a meeting of our directors.

Compensation of Directors and Executive Officers

For the year ended December 31, 2016, we paid an aggregate of approximately RMB5.1 million (US$0.7 million) to our directors and executive officers. Our PRC subsidiary is required by the PRC laws and regulations to make contributions equal to certain percentages of each employee's salary for his or her retirement benefit, medical insurance benefits, housing funds, unemployment and other statutory benefits. Our PRC subsidiary has contributed retirement and similar benefits to our officers and directors in the year ended December 31, 2016.

Share Incentive Plan

We maintain share incentive plan in order to attract, motivate, retain and reward talent, provide additional incentives to our officers, employees, directors and other eligible persons, and promote the success of our business and the interests of our shareholders.

ESOP Plan

In 2016, our board of directors approved an equity incentive plan, or the ESOP Plan, to promote the success of our business and the interests of our shareholders by providing additional incentives and awards to attract, retain and motivate eligible senior executives and key employees and to link the interests of the award recipients with our shareholders.

Under the ESOP Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the ESOP Plan was 7,000,000. Unless otherwise approved by our shareholders, the ESOP Plan expires ten years after the date of its effectiveness.

As of the date of this prospectus, options to purchase 5,985,000 ordinary shares, excluding awards that were forfeited or canceled after the relevant grant dates, have been granted and outstanding under the ESOP Plan. The options granted are exercisable only upon the completion of the IPO or change of control. We will not recognize any compensation expense until the exercisability event occurs. As a result, we will incur future share-based compensation expenses upon the occurrence of the exercisability event, upon which the options will be accounted for as a cumulative compensation cost since the service inception date, with the remaining unrecognized compensation cost amortized over the remaining requisite service period. Other than the awards already granted, 1,015,000 shares are available for grant under the ESOP Plan as of the date of this prospectus.

The following paragraphs summarize the terms of the ESOP Plan.

Plan administration. Our compensation committee acts as the plan administrator.

Types of awards. The ESOP Plan permits the award of options.

Award agreements. Each award under the ESOP Plan will be evidenced by an award agreement between the award recipient and our company.

Eligibility. Only our senior executives and key employees are eligible to receive awards or grants under the ESOP Plan.

Term of awards. The term of each award is stated in the relevant award agreement.

Vesting schedule and other restrictions. The plan administrator has discretion in determining and making adjustment in the individual vesting schedules and other restrictions applicable to the awards granted under the ESOP Plan. The vesting schedule is set forth in each award agreement. Each award under the ESOP Plan will expire, or vest or be repurchased by us not more than ten years after the date of grant. A vested option is only exercisable in the event of change of control or an initial public offering, and if a participant who receives the award terminates service with us for cause or resigns when the cause is present, all vested and unvested options shall be forfeited, shall automatically lapse without any compensation and shall have no further force and effect, unless otherwise determined by the plan administrator or set forth in the award agreement.

Exercise price. The plan administrator has discretion in determining the price of awards, subject to a number of limitations, and has discretion in making adjustments in the exercise price of the options.

Term of ESOP Plan. The ESOP Plan will terminate ten years from its effective date.

Amendment. Our board of directors has the authority to amend or terminate the ESOP Plan.

Transfer restrictions. Except as permitted by the plan administrator, all options are not transferable or assignable, other than by will or by the laws of descent and distribution.

The table below sets forth certain information as of the date of this prospectus, concerning the outstanding awards we have granted to our directors and executive officers individually.

Name	Ordinary Shares(1) Underlying Outstanding Awards Granted	Price (US$/Share)	Date of Grant	Date of Expiration
Yiding Sun	1,250,000	1.44	April 6, 2016	October 1, 2024
Chelsea Qingyan Wang	*	1.44	May 20, 2016	May 19, 2020
Sally Xue Yuan	*	1.44	April 6, 2016	October 1, 2024
All directors and executive officers as a group	2,050,000	1.44		

* The outstanding options to purchase ordinary shares in aggregate held by each of these directors and executive officers represent less than 1% of our total outstanding shares.

(1) Represents options to purchase ordinary shares.

2017 ESOP Plan

In 2017, our board of directors approved a new equity incentive plan, or the 2017 ESOP Plan, which will become effective upon completion of this offering, to help attract and retain the best available personnel, provide additional incentives to employees, directors and consultants. Per board approval, the awards are for employees, consultants and members of our board of directors for outstanding performance and promote the success of our business.

The maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2017 ESOP Plan is 5,000,000. Unless otherwise extended by the plan administrator, the 2017 ESOP Plan will not exceed ten years after the date of its effectiveness.

The following paragraphs summarize the terms of the 2017 ESOP Plan.

Plan administration. Our compensation committee acts as the plan administrator.

Types of awards. The 2017 ESOP Plan permits the award of options, restricted shares, restricted share units, dividend equivalents, deferred shares, share payment and share appreciation rights.

Award agreements. Each award under the 2017 ESOP Plan will be evidenced by an award agreement between the award recipient and our company.

Eligibility. Only our employees, consultants and board of directors are eligible to receive awards or grants under the 2017 ESOP Plan.

Term of awards. The term of each award will be stated in the relevant award agreement.

Vesting schedule and other restrictions. The plan administrator has discretion in determining and making adjustments to the individual vesting schedules and other restrictions applicable to the awards granted under the 2017 ESOP Plan. The vesting schedule will be set forth in each award agreement. Each award under the 2017 ESOP Plan will expire, vest or be repurchased by us not more than ten years after the date of grant. The conditions of the exercise of awards will be determined by the plan administrator or set forth in the award agreement.

Exercise price. The plan administrator has discretion in determining the price of awards, subject to a number of limitations, and has discretion in making adjustments in the exercise price of the options.

Term of 2017 ESOP Plan. The 2017 ESOP Plan will terminate on the tenth anniversary of its effective date.

Amendment. The plan administrator has the authority to terminate, amend or modify the 2017 ESOP Plan.

Transfer restrictions. Except as permitted by the plan administrator, all awards are not transferable or assignable, other than by will or by the laws of descent and distribution.

PRINCIPAL AND SELLING SHAREHOLDERS

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of the date of this prospectus:

- each of our directors and executive officers;
- each person known to us to beneficially own more than 5% of our ordinary shares; and
- each selling shareholder.

The calculations in the table below are based on 100,000,000 ordinary shares issued and outstanding as of the date of this prospectus and 110,000,000 ordinary shares outstanding immediately upon the completion of this offering, assuming that the underwriters do not exercise their option to purchase additional ADSs.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days of this offering, including through the exercise of any option, warrant, or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary Shares Beneficially Owned Prior to This Offering		Ordinary Shares being Sold In This Offering		Ordinary Shares Beneficially Owned After This Offering	
	Number	%†	Number	%†	Number	%†
Directors and Executive Officers:(1)						
Yiding Sun	*	*	—	—	*	*
Chelsea Qingyan Wang	*	*	—	—	*	*
Sally Xue Yuan	*	*	—	—	*	*
All directors and executive officers as a group	*	*	—	—	*	*
Principal and Selling Shareholders:						
Bain Capital Rise Education IV Cayman Limited(2)	100,000,000	100.0%	12,000,000	12.0%	88,000,000	80.0%
Multi Union Resources Limited(3)	10,000,000	10.0%	10,000,000	10.0%	—	—

* Less than 1% of our total outstanding shares.

† For each person and group included in this column, percentage ownership is calculated by dividing the number of ordinary shares beneficially owned by such person or group, including shares that such person or group has the right to acquire within 60 days after the date of this prospectus, by the sum of (i) 100,000,000 which is the total number of ordinary shares outstanding as of the date of this prospectus, and (ii) the number of ordinary shares that such person or group has the right to acquire beneficial ownership within 60 days after the date of this prospectus.

(1) The business address of Mr. Zhongjue Chen, Mr. David Benjamin Gross-Loh and Ms. Lihong Wang is 51/F, Cheung Kong Center, 2 Queen's Road Central, Hong Kong, and the business address of our other directors and executive officers is c/o Room 101, Jia He Guo Xin Mansion, No. 15 Baiqiao Street, Guangqumennei, Dongcheng District, Beijing 100062, People's Republic of China.

(2) Includes (i) 90,000,000 ordinary shares held directly by Bain Capital Rise Education IV Cayman Limited, or Bain Capital Entity, and (ii) 10,000,000 ordinary shares held by Multi Union Resources Limited, which is wholly owned by Bain Capital Entity. Bain Capital Entity is owned by Bain Capital Asia Integral Investors, L.P. Bain Capital Investors, LLC, or BCI, is the general partner of Bain Capital Asia Integral Investors, L.P. The governance, investment strategy and decision-making process with respect to investments held by the Bain Capital Entity is directed by the Global Private Equity Board of BCI. As a result of the relationships described above, BCI may be deemed to share beneficial ownership of the shares held by the Bain Capital Entity. The Bain Capital Entity has an address c/o Bain Capital Private Equity, LP, 200 Clarendon Street, Boston, Massachusetts 02116.

(3) Multi Union Resources Limited is a limited liability company incorporated in the British Virgin Islands and the business address is Corporate Registrations Limited, Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands. Pursuant to a share purchase agreement entered into in September 2017, Multi Union Resources Limited is wholly owned by Bain Capital Entity.

As of the date of this prospectus, none of our ordinary shares are held by record holder in the United States. None of our existing shareholders has different voting rights from other shareholders after the completion of this offering. None of our existing shareholders has informed us that it is affiliated with a registered broker-dealer or is in the business of underwriting securities. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See “Description of Share Capital—History of Securities Issuances” for a description of issuances of our securities that have resulted in significant changes in ownership held by our major shareholders. Each selling shareholder named above acquired its shares in offerings that were exempted from registration under the Securities Act because such offerings involved either private placements or offshore sales to non-U.S. persons.

RELATED PARTY TRANSACTIONS

Contractual Arrangements with Our VIE, Its Shareholders and Us

See “Corporate History and Structure—Contractual Arrangements among Our VIE, Its Schools, Its Shareholders and Us.”

Shareholder Agreement

See “Description of Share Capital—Shareholder Agreement.”

Share Incentive Plan

See “Management—Compensation of Directors and Executive Officers” and “Management—Share Incentive Plan.”

Employment Agreements and Indemnification Agreements

See “Management—Employment Agreements and Indemnification Agreements.”

Other Transactions with Related Parties

In 2013, we entered into a consulting agreement with Bain Capital Private Equity Advisors (China) Ltd., or Bain Capital, an affiliate of our principal shareholder, pursuant to which Bain Capital provides us with business consulting services. We paid RMB6.2 million to Bain Capital during each of the years ended December 31, 2014, 2015 and 2016, and RMB3.1 million (US$0.5 million) for the six months ended June 30, 2017. Pursuant to its terms, the consulting agreement will terminate upon the completion of this offering, at which time we will pay Bain Capital a lump sum amount of RMB33.9 million (US$5.1 million).

In 2015, 2016 and 2017, we entered into a series of entrustment loan agreements with Lionbridge Limited, an affiliate of our principal shareholder, pursuant to which we granted loans of RMB200.0 million, RMB280.0 million (US$41.3 million) and RMB150.0 million (US$22.1 million) to Lionbridge Limited during the years ended December 31, 2015 and 2016, and for the six months ended June 30, 2017, respectively. Loans granted during the years ended December 31, 2015 and 2016 have been fully repaid.

In 2015, we entered into a product development agreement with Beijing Mai Rui Technology Co., Ltd., or Beijing Mai Rui, owned by a former director of us, pursuant to which we paid RMB0.7 million, RMB0.3 million (US$0.04 million) and nil to Beijing Mai Rui during the years ended December 31, 2015 and 2016 and for the six months ended June 30, 2017, respectively.

In September 2017, we entered into an agreement to purchase the business and assets of The Edge Learning Centers Limited, a company in which a managing director of Bain Capital is a director and minority shareholder. The Edge Learning Centers Limited is a leading Hong Kong-based admissions consulting company specializing in overseas boarding school and college placement. Total consideration under the agreement is approximately HK$33 million (US$4.2 million). The acquisition is expected to close during the fourth quarter of 2017, subject to customary closing procedures and conditions.

DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands company and our affairs are governed by our amended and restated memorandum and articles of association, as amended and restated from time to time, and the Companies Law (as amended) of the Cayman Islands, or referred to as the Companies Law below, and the common law of the Cayman Islands.

As of the date of this prospectus, our authorized share capital consists of US$2,000,000 divided into 200,000,000 ordinary shares with a par value of US$0.01 each. As of the date of this prospectus, 100,000,000 ordinary shares are issued and outstanding. All of our issued and outstanding ordinary shares are fully paid.

Immediately upon the completion of this offering, there will be 110,000,000 ordinary shares issued and outstanding.

Assuming that we obtain the requisite shareholder approval, we will adopt an amended and restated memorandum and articles of association, or post-IPO memorandum and articles of association, which will become effective and replace our current memorandum and articles of association in its entirety immediately prior to the completion of this offering. The following are summaries of material provisions of our post-IPO memorandum and articles of association and the Companies Law as they relate to the material terms of our ordinary shares that we expect will become effective immediately upon completion of this offering.

Exempted Company

We are an exempted company incorporated with limited liability under the Companies Law. The Companies Law distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary resident company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company is not required to open its register of members for inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value, negotiable or bearer shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

Ordinary Shares

General

All of our issued and outstanding ordinary shares are fully paid and non-assessable. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares. Our post-IPO memorandum and articles prohibit us from issuing bearer or negotiable shares. Our company will issue only non-negotiable shares in registered form, which will be issued when registered in our register of members.

Dividends

The holders of our ordinary shares are entitled to receive such dividends as may be declared by our board of directors subject to our post-IPO memorandum and articles of association and the Companies Law. In addition, our shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, dividends may be paid only out of profits, and out of share premium, a concept analogous to paid-in surplus in the United States. No dividend may be declared and paid unless our directors determine that, immediately after the payment, we will be able to pay our debts as they become due in the ordinary course of business and we have funds lawfully available for such purpose.

Voting Rights

Holders of our ordinary shares have the right to receive notice of, attend, speak and vote at general meetings of our company. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the chairman or one or more shareholder present in person or by proxy entitled to vote and who together hold not less than 10% of the votes attaching to the ordinary shares at the meeting, present in person or by proxy. An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of the votes attaching to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at in a general meeting. Both ordinary resolutions and special resolutions may also be passed by a unanimous written resolution signed by all the shareholders of our company, as permitted by the Companies Law and our post-IPO memorandum and articles of association. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

Register of Members

Under Cayman Islands law, we must keep a register of members and there must be entered therein:

- the names and addresses of the members, a statement of the shares held by each member, and of the amount paid or agreed to be considered as paid, on the shares of each member;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under Cayman Islands law, the register of members of our company is prima facie evidence of the matters set out therein (i.e. the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members will be deemed as a matter of Cayman Islands law to have legal title to the shares as set against its name in the register of members. Upon the completion of this offering, our company's register of members will be immediately updated to record and give effect to the issue of ordinary shares by us to JPMorgan, as the depositary (or its custodian or nominee). Once our register of members has been updated, the shareholders recorded in the register of members shall be deemed to have legal title to the shares set against their name.

If the name of any person is, without sufficient cause, entered in or omitted from the register of members, or if default is made or unnecessary delay takes place in entering on the register the fact of any person having ceased to be a member, the person or member aggrieved or any member or the company itself may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

General Meetings and Shareholder Proposals

As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our post-IPO memorandum and articles of association provide that we may (but are not

obliged to) in each year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our directors. We, however, will hold an annual shareholders' meeting during each fiscal year, as required by the Listing Rules at the NASDAQ Stock Market.

Cayman Islands law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's post-offering amended and restated articles of association. Our post-IPO memorandum and articles of association allow our shareholders holding shares representing in aggregate not less than one-third of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of the shareholders, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our post-IPO memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders.

Shareholders' annual general meetings and any other general meetings of our shareholders may be convened by a majority of our board of directors or our chairman. A quorum required for a meeting of shareholders consists of one or more shareholders holding not less than one-third of all paid up voting share capital of our company present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Advance notice of at least seven calendar days is required for the convening of our annual general meeting and other shareholders meetings.

Transfer of Ordinary Shares

Subject to the restrictions in our post-IPO memorandum and articles of association as set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four; or
- the ordinary shares transferred are free of any lien in favor of us.

If our directors refuse to register a transfer they are obligated to, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal. The registration of transfers of shares or of any class of shares may, after compliance with any notice requirement of the designated stock exchange, be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as our board of directors may determine.

Issuance of Additional Shares

Our post-IPO memorandum and articles of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized

but unissued shares. Our post-IPO memorandum and articles of association also authorize our board of directors to establish from time to time one or more series of preference shares and to determine, with respect to any series of preference shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preference shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Liquidation

On the winding up of our company, if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. We are a "limited liability" company registered under the Companies Law, and under the Companies Law, the liability of our members is limited to the amount, if any, unpaid on the shares respectively held by them. Our post-IPO memorandum and articles of association contains a declaration that the liability of our members is so limited.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least fourteen calendar days prior to the specified time and place of payment. The ordinary shares that have been called upon and remain unpaid on the specified time are subject to forfeiture.

Redemption, Repurchase and Surrender of Ordinary Shares

We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by a special resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by ordinary resolution of our shareholders, or are otherwise authorized by our post-IPO memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares

If at any time the share capital is divided into different classes of shares, the rights attached to any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, be varied either with the

unanimous written consent of the holders of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights will not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu with such existing class of shares.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information."

Changes in Capital

Our shareholders may from time to time by ordinary resolutions:

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution prescribes;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount than that fixed by our post-IPO memorandum of association; provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share will be the same as it was in case of the share from which the reduced share is derived; and
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so canceled.

Our shareholders may by special resolution, subject to confirmation by the Grand Court of the Cayman Islands on an application by our company for an order confirming such reduction, reduce our share capital and any capital redemption reserve in any manner authorized by law.

Differences in Corporate Law

The Companies Law is derived, to a large extent, from the older Companies Acts of England, but does not follow recent English law statutory enactments, and accordingly there are significant differences between the Companies Law and the current Companies Act of England. In addition, the Companies Law differs from laws applicable to Delaware corporations and their shareholders. Set forth below is a summary of certain significant differences between the provisions of the Companies Law applicable to us and the laws applicable to Delaware corporations and their shareholders.

Mergers and Similar Arrangements

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertakings, property and liabilities in one of such companies as the surviving company and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertakings, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other

authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Law also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the due majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

The Companies Law also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of dissentient minority shareholders upon a tender offer. When a tender offer is made and accepted by holders of 90% of the shares affected (within four months), the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares to the offeror on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands, but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, or if a tender offer is made and accepted, a dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of United States corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff in any action or proceedings to be brought in respect of a wrong committed against us, and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, the Cayman Islands court can be expected to apply and follow the common law principles (namely the rule in Foss v. Harbottle and the exceptions thereto) which permit a minority shareholder to commence a class action against, or a derivative action in the name of, a company to challenge the following acts in the following circumstances:

- a company acts or proposes to act illegally or ultra vires;

- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components, the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director must act in a manner he or she reasonably believes to be in the best interests of the corporation.

A director must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interests of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company, and therefore he or she owes the following duties to the company—a duty to act in good faith in the best interests of the company, a duty not to make a personal profit out of his or her position as director (unless the company permits him or her to do so), a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interests or his or her duty to a third-party and a duty to exercise powers for the purpose for which such powers were intended. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, there are indications that the English and commonwealth courts are moving towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Under our post-IPO memorandum and articles of association, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of their interest at a meeting of the board of directors. Following such declaration, a director may vote in respect of any contract or proposed contract notwithstanding his interest.

Shareholder Action by Written Resolution

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. The Companies Law and our post-IPO memorandum and articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law does not provide shareholders any right to put proposal before a meeting and provides limited rights for shareholders to requisition a general meeting. However, these rights may be provided in articles of association. Our post-IPO memorandum and articles of association allow our shareholders holding shares representing in aggregate not less than one-third of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings to requisition a shareholder's meeting. Other than this right to requisition a shareholders' meeting, our post-IPO memorandum and articles of association do not provide our shareholders other right to put proposal before annual general meetings or extraordinary general meetings not called by such shareholders. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled for a single director, which increases the shareholder's voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our post-IPO memorandum and articles of association do not provide for cumulative voting.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation may be removed with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our post-IPO memorandum and articles of association, directors can be removed by an ordinary resolution. A director shall hold office until the expiration of his or her term or his or her successor shall have been elected and qualified, or until his or her office is otherwise vacated. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; (v) is prohibited by law from being a director; or (vi) is removed from office pursuant to any other provisions of our post-IPO memorandum and articles of association.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date on which such person becomes an interested shareholder. An interested shareholder generally is one which owns or owned 15% or more of the target's outstanding voting shares within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction that resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware public corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, the directors of the Company are required to comply with fiduciary duties which they owe to the Company under Cayman Islands law, including

the duty to ensure that, in their opinion, only such transactions entered into are in good faith in the best interests of the company, are entered into for a proper corporate purpose and not with the effect of perpetrating a fraud on the minority shareholders.

Dissolution and Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. The Delaware General Corporation Law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board of directors. Under the Companies Law, our company may be dissolved, liquidated or wound up by either an order of the courts of the Cayman Islands or by a special resolution of our shareholders, or by an ordinary resolution by our shareholders on the basis that our company is unable to pay its debts as they fall due. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Variation of Rights of Shares

If at any time, our share capital is divided into different classes of shares, under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under our post-IPO memorandum and articles of association and as permitted by the Companies Law, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class either with the unanimous written consent of the holders of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As required by the Companies Law, our post-IPO memorandum and articles of association may only be amended by a special resolution of our shareholders.

Inspection of Books and Records

Under the Delaware General Corporation Law, any shareholder of a corporation may for any proper purpose inspect or make copies of the corporation's stock ledger, list of shareholders and other books and records.

Holders of our shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we intend to provide our shareholders with annual reports containing audited financial statements.

Anti-takeover Provisions

Some provisions of our post-IPO memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including a provision that authorizes our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our post-IPO memorandum and articles of association for a proper purpose and for what they believe in good faith to be in the best interests of our company.

Rights of Non-resident or Foreign Shareholders

There are no limitations imposed by foreign law or by our post-IPO memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our ordinary shares. In addition, there are no provisions in our post-IPO memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

History of Securities Issuances

The following is a summary of our securities issued since our inception on July 16, 2013.

Ordinary Shares

On July 16, 2013, we issued one ordinary share to Walker Nominees Limited, which was transferred to Bain Capital Asia Integral Investors, L. P. on the same date.

On August 12, 2013 and September 16, we issued additional 15,000,000 ordinary shares and 20,000,000 ordinary shares, respectively, to Bain Capital Asia Integral Investors, L.P. In September 2013, Bain Capital Asia Integral Investors, L.P. transferred a total of 35,000,001 ordinary shares to Bain Capital Rise Education IV Cayman Limited.

On September 30, 2013, we issued additional 54,999,999 ordinary shares and 10,000,000 ordinary shares to Bain Capital Rise Education IV Cayman Limited and Multi Union Resources Limited, respectively.

Options

We have granted options to purchase our ordinary shares to certain senior management members and key employees. See “Management—Share Incentive Plan.”

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Receipts

JPMorgan Chase Bank, N.A., ("JPMorgan") as depositary will issue the ADSs which you will be entitled to receive in this offering. Each ADS will represent an ownership interest a designated number of shares which we will deposit with the custodian, as agent of the depositary, under the deposit agreement among ourselves, the depositary and yourself as an ADR holder. In the future, each ADS will also represent any securities, cash or other property deposited with the depositary but which they have not distributed directly to you. Unless certificated ADRs are specifically requested by you, all ADSs will be issued on the books of our depositary in book-entry form and periodic statements will be mailed to you which reflect your ownership interest in such ADSs. In our description, references to American depositary receipts or ADRs shall include the statements you will receive which reflect your ownership of ADSs.

The depositary's office is located at 4 New York Plaza, Floor 12, New York, NY, 10004.

You may hold ADSs either directly or indirectly through your broker or other financial institution. If you hold ADSs directly, by having an ADS registered in your name on the books of the depositary, you are an ADR holder. This description assumes you hold your ADSs directly. If you hold the ADSs through your broker or financial institution nominee, you must rely on the procedures of such broker or financial institution to assert the rights of an ADR holder described in this section. You should consult with your broker or financial institution to find out what those procedures are.

As an ADR holder, we will not treat you as a shareholder of ours and you will not have any shareholder rights. Cayman Island law governs shareholder rights. Because the depositary or its nominee will be the shareholder of record for the shares represented by all outstanding ADSs, shareholder rights rest with such record holder. Your rights are those of an ADR holder. Such rights derive from the terms of the deposit agreement to be entered into among us, the depositary and all registered holders from time to time of ADSs issued under the deposit agreement. The obligations of the depositary and its agents are also set out in the deposit agreement. Because the depositary or its nominee will actually be the registered owner of the shares, you must rely on it to exercise the rights of a shareholder on your behalf. The deposit agreement and the ADSs are governed by New York law. Under the deposit agreement, as an ADR holder, you agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement, the ADSs or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and you irrevocably waive any objection which you may have to the laying of venue of any such proceeding and irrevocably submit to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

The following is a summary of what we believe to be the material terms of the deposit agreement. Notwithstanding this, because it is a summary, it may not contain all the information that you may otherwise deem important. For more complete information, you should read the entire deposit agreement and the form of ADR which contains the terms of your ADSs. You can read a copy of the deposit agreement which is filed as an exhibit to the registration statement of which this prospectus forms a part. You may also obtain a copy of the deposit agreement at the SEC's Public Reference Room which is located at 100 F Street, NE, Washington, DC 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. You may also find the registration statement and the attached deposit agreement on the SEC's website at http://www.sec.gov.

Share Dividends and Other Distributions

How will I receive dividends and other distributions on the shares underlying my ADSs?

We may make various types of distributions with respect to our securities. The depositary has agreed that, to the extent practicable, it will pay to you the cash dividends or other distributions it or the custodian receives on

shares or other deposited securities, after converting any cash received into U.S. dollars (if it determines such conversion may be made on a reasonable basis) and, in all cases, making any necessary deductions provided for in the deposit agreement. The depositary may utilize a division, branch or affiliate of JPMorgan to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement. Such division, branch and/or affiliate may charge the depositary a fee in connection with such sales, which fee is considered an expense of the depositary. You will receive these distributions in proportion to the number of underlying securities that your ADSs represent.

Except as stated below, the depositary will deliver such distributions to ADR holders in proportion to their interests in the following manner:

- *Cash.* The depositary will distribute any U.S. dollars available to it resulting from a cash dividend or other cash distribution or the net proceeds of sales of any other distribution or portion thereof (to the extent applicable), on an averaged or other practicable basis, subject to (i) appropriate adjustments for taxes withheld, (ii) such distribution being impermissible or impracticable with respect to certain registered ADR holders, and (iii) deduction of the depositary's and/or its agents' expenses in (1) converting any foreign currency to U.S. dollars to the extent that it determines that such conversion may be made on a reasonable basis, (2) transferring foreign currency or U.S. dollars to the United States by such means as the depositary may determine to the extent that it determines that such transfer may be made on a reasonable basis, (3) obtaining any approval or license of any governmental authority required for such conversion or transfer, which is obtainable at a reasonable cost and within a reasonable time and (4) making any sale by public or private means in any commercially reasonable manner. *If exchange rates fluctuate during a time when the depositary cannot convert a foreign currency, you may lose some or all of the value of the distribution.*
- *Shares.* In the case of a distribution in shares, the depositary will issue additional ADRs to evidence the number of ADSs representing such shares. Only whole ADSs will be issued. Any shares which would result in fractional ADSs will be sold and the net proceeds will be distributed in the same manner as cash to the ADR holders entitled thereto.
- *Rights to receive additional shares.* In the case of a distribution of rights to subscribe for additional shares or other rights, if we timely provide evidence satisfactory to the depositary that it may lawfully distribute such rights, the depositary will distribute warrants or other instruments in the discretion of the depositary representing such rights. However, if we do not timely furnish such evidence, the depositary may:

  (i) sell such rights if practicable and distribute the net proceeds in the same manner as cash to the ADR holders entitled thereto; or

  (ii) if it is not practicable to sell such rights by reason of the non-transferability of the rights, limited markets therefor, their short duration or otherwise, do nothing and allow such rights to lapse, in which case ADR holders will receive nothing and the rights may lapse.
- *Other Distributions.* In the case of a distribution of securities or property other than those described above, the depositary may either (i) distribute such securities or property in any manner it deems equitable and practicable or (ii) to the extent the depositary deems distribution of such securities or property not to be equitable and practicable, sell such securities or property and distribute any net proceeds in the same way it distributes cash.

If the depositary determines in its discretion that any distribution described above is not practicable with respect to any specific registered ADR holder, the depositary may choose any method of distribution that it deems practicable for such ADR holder, including the distribution of foreign currency, securities or property, or it may retain such items, without paying interest on or investing them, on behalf of the ADR holder as deposited securities, in which case the ADSs will also represent the retained items.

Any U.S. dollars will be distributed by checks drawn on a bank in the United States for whole dollars and cents. Fractional cents will be withheld without liability and dealt with by the depositary in accordance with its then current practices.

The depositary is not responsible if it fails to determine that any distribution or action is lawful or reasonably practicable.

There can be no assurance that the depositary will be able to convert any currency at a specified exchange rate or sell any property, rights, shares or other securities at a specified price, nor that any of such transactions can be completed within a specified time period. All purchases and sales of securities will be handled by the Depositary in accordance with its then current policies, which are currently set forth in the "Depositary Receipt Sale and Purchase of Security" section of https://www.adr.com/Investors/FindOutAboutDRs, the location and contents of which the Depositary shall be solely responsible for.

Deposit, Withdrawal and Cancellation

How does the depositary issue ADSs?

The depositary will issue ADSs if you or your broker deposit shares or evidence of rights to receive shares with the custodian and pay the fees and expenses owing to the depositary in connection with such issuance. In the case of the ADSs to be issued under this prospectus, we will arrange with the underwriters named herein to deposit such shares.

Shares deposited in the future with the custodian must be accompanied by certain delivery documentation and shall, at the time of such deposit, be registered in the name of JPMorgan Chase Bank, N.A., as depositary for the benefit of holders of ADRs or in such other name as the depositary shall direct.

The custodian will hold all deposited shares (including those being deposited by or on our behalf in connection with the offering to which this prospectus relates) for the account and to the order of the depositary. ADR holders thus have no direct ownership interest in the shares and only have such rights as are contained in the deposit agreement. The custodian will also hold any additional securities, property and cash received on or in substitution for the deposited shares. The deposited shares and any such additional items are referred to as "deposited securities".

Upon each deposit of shares, receipt of related delivery documentation and compliance with the other provisions of the deposit agreement, including the payment of the fees and charges of the depositary and any taxes or other fees or charges owing, the depositary will issue an ADR or ADRs in the name or upon the order of the person entitled thereto evidencing the number of ADSs to which such person is entitled. All of the ADSs issued will, unless specifically requested to the contrary, be part of the depositary's direct registration system, and a registered holder will receive periodic statements from the depositary which will show the number of ADSs registered in such holder's name. An ADR holder can request that the ADSs not be held through the depositary's direct registration system and that a certificated ADR be issued.

How do ADR holders cancel an ADS and obtain deposited securities?

When you turn in your ADR certificate at the depositary's office, or when you provide proper instructions and documentation in the case of direct registration ADSs, the depositary will, upon payment of certain applicable fees, charges and taxes, deliver the underlying shares to you or upon your written order. Delivery of deposited securities in certificated form will be made at the custodian's office. At your risk, expense and request, the depositary may deliver deposited securities at such other place as you may request.

The depositary may only restrict the withdrawal of deposited securities in connection with:

- temporary delays caused by closing our transfer books or those of the depositary or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends;

- the payment of fees, taxes and similar charges; or
- compliance with any U.S. or foreign laws or governmental regulations relating to the ADRs or to the withdrawal of deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Record Dates

The depositary may, after consultation with us if practicable, fix record dates (which, to the extent applicable, shall be as near as practicable to any corresponding record dates set by us) for the determination of the registered ADR holders who will be entitled (or obligated, as the case may be):

- to receive any distribution on or in respect of deposited securities,
- to give instructions for the exercise of voting rights at a meeting of holders of shares,
- to pay the fee assessed by the depositary for administration of the ADR program and for any expenses as provided for in the ADR, or
- to receive any notice or to act in respect of other matters,

all subject to the provisions of the deposit agreement.

Voting Rights

How do I vote?

If you are an ADR holder and the depositary asks you to provide it with voting instructions, you may instruct the depositary how to exercise the voting rights for the shares which underlie your ADSs. As soon as practicable after receipt from us of notice of any meeting at which the holders of shares are entitled to vote, or of our solicitation of consents or proxies from holders of shares, the depositary shall fix the ADS record date in accordance with the provisions of the deposit agreement in respect of such meeting or solicitation of consent or proxy. Holders are strongly encouraged to forward their voting instructions to the depositary as soon as possible. For instructions to be valid, the ADR department of the depositary that is responsible for proxies and voting must receive them in the manner and on or before the time specified, notwithstanding that such instructions may have been physically received by the depositary prior to such time. The depositary will not itself exercise any voting discretion. Furthermore, neither the depositary nor its agents are responsible for any failure to carry out any voting instructions, for the manner in which any vote is cast or for the effect of any vote. Notwithstanding anything contained in the deposit agreement or any ADR, the depositary may, to the extent not prohibited by law or regulations, or by the requirements of the stock exchange on which the ADSs are listed, in lieu of distribution of the materials provided to the depositary in connection with any meeting of, or solicitation of consents or proxies from, holders of deposited securities, distribute to the registered holders of ADRs a notice that provides such holders with, or otherwise publicizes to such holders, instructions on how to retrieve such materials or receive such materials upon request (*i.e.*, by reference to a website containing the materials for retrieval or a contact for requesting copies of the materials).

Under our constituent documents, the depositary would be able to provide us with voting instructions without having to personally attend meetings in person or by proxy. Such voting instructions may be provided to us via facsimile, email, mail, courier or other recognized form of delivery and we agree to accept any such delivery so long as it is timely received prior to the meeting. We will endeavor to provide the depositary with written notice of each meeting of shareholders promptly after determining the date of such meeting so as to enable it to solicit and receive voting instructions. In general, the depositary will require that voting instructions be received by the depositary no less than five business days prior to the date of each meeting of shareholders. Under the post-offering memorandum and articles of association that we expect to adopt, the minimum notice

period required to convene a general meeting is seven days. The depositary may not have sufficient time to solicit voting instructions, and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Notwithstanding the above, we have advised the depositary that under the Cayman Islands law and our constituent documents, each as in effect as of the date of the deposit agreement, voting at any meeting of shareholders is by show of hands unless a poll is (before or on the declaration of the results of the show of hands) demanded. In the event that voting on any resolution or matter is conducted on a show of hands basis in accordance with our constituent documents, the depositary will refrain from voting and the voting instructions received by the depositary from holders shall lapse. The depositary will not demand a poll or join in demanding a poll, whether or not requested to do so by holders of ADSs. There is no guarantee that you will receive voting materials in time to instruct the depositary to vote and it is possible that you, or persons who hold their ADSs through brokers, dealers or other third parties, will not have the opportunity to exercise a right to vote.

Reports and Other Communications

Will ADR holders be able to view our reports?

The depositary will make available for inspection by ADR holders at the offices of the depositary and the custodian the deposit agreement, the provisions of or governing deposited securities, and any written communications from us which are both received by the custodian or its nominee as a holder of deposited securities and made generally available to the holders of deposited securities.

Additionally, if we make any written communications generally available to holders of our shares, and we furnish copies thereof (or English translations or summaries) to the depositary, it will distribute the same to registered ADR holders.

Fees and Expenses

What fees and expenses will I be responsible for paying?

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

The following additional charges shall be incurred by the ADR holders, by any party depositing or withdrawing shares or by any party surrendering ADSs and/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 ADSs or the deposited securities or a distribution of ADSs), whichever is applicable:

- a fee of U.S.$1.50 per ADR or ADRs for transfers of certificated or direct registration ADRs;
- a fee of up to U.S.$0.05 per ADS for any cash distribution made pursuant to the deposit agreement;
- an aggregate fee of up to U.S.$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);

- a fee for the reimbursement of such fees, charges and expenses as are incurred by the depositary and/or any of its agents (including, without limitation, the custodian and expenses incurred on behalf of holders in connection with compliance with foreign exchange control regulations or any law or regulation relating to foreign investment) in connection with the servicing of the shares or other deposited securities, the sale of securities (including, without limitation, 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 fees and charges 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 $0.05 per ADS issuance fee for the execution and delivery of ADSs which would have been charged as a result of the deposit of such securities (treating all such securities as if they were shares) 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 shares, ADRs or deposited securities;
- 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;
- in connection with the conversion of foreign currency into U.S. dollars, JPMorgan shall deduct out of such foreign currency the fees, expenses and other charges charged by it and/or its agent (which may be a division, branch or affiliate) so appointed in connection with such conversion; and
- fees of any division, branch or affiliate of the depositary utilized by the depositary to direct, manage and/or execute any public and/or private sale of securities under the deposit agreement.

JPMorgan and/or its agent may act as principal for such conversion of foreign currency. For further details see https://www.adr.com.

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.

The depositary may make available to us a set amount or a portion of the depositary fees charged in respect of the ADR program or otherwise upon such terms and conditions as we and the depositary may agree from time to time. The depositary collects its fees for issuance and cancellation of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions, or by directly billing investors, or by charging the book-entry system accounts of participants acting for them. The depositary will generally set off the amounts owing from distributions made to holders of ADSs. If, however, no distribution exists and payment owing is not timely received by the depositary, the depositary may refuse to provide any further services to holders that have not paid those fees and expenses owing until such fees and expenses have been paid. At the discretion of the depositary, all fees and charges owing under the deposit agreement are due in advance and/or when declared owing by the depositary.

The fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary. You will receive prior notice of the increase in any such fees and charges.

Payment of Taxes

ADR holders must pay any tax or other governmental charge payable by the custodian or the depositary on any ADS or ADR, deposited security or distribution. If any taxes or other governmental charges (including any penalties and/or interest) shall become payable by or on behalf of the custodian or the depositary with respect to any ADR, any deposited securities represented by the ADSs evidenced thereby or any distribution thereon, including, without limitation, any Chinese Enterprise Income Tax owing if the Circular Guoshuifa [2009] No. 82 issued by the Chinese State Administration of Taxation (SAT) or any other circular, edict, order or ruling, as issued and as from time to time amended, is applied or otherwise, such tax or other governmental charge shall be paid by the holder thereof to the depositary and by holding or having held an ADR the holder and all prior holders thereof, jointly and severally, agree to indemnify, defend and save harmless each of the depositary and its agents in respect thereof. If an ADR holder owes any tax or other governmental charge, the depositary may (i) deduct the amount thereof from any cash distributions, or (ii) sell deposited securities (by public or private sale) and deduct the amount owing from the net proceeds of such sale. In either case the ADR holder remains liable for any shortfall. If any tax or governmental charge is unpaid, the depositary may also refuse to effect any registration, registration of transfer, split-up or combination of deposited securities or withdrawal of deposited securities until such payment is made. If any tax or governmental charge is required to be withheld on any cash distribution, the depositary may deduct the amount required to be withheld from any cash distribution or, in the case of a non-cash distribution, sell the distributed property or securities (by public or private sale) in such amounts and in such manner as the depositary deems necessary and practicable to pay such taxes and distribute any remaining net proceeds or the balance of any such property after deduction of such taxes to the ADR holders entitled thereto.

By holding an ADR or an interest therein, you will be agreeing to indemnify us, the depositary, its custodian and any of our or their respective officers, directors, employees, agents and affiliates against, and hold each of them harmless from, any claims by any governmental authority with respect to taxes, additions to tax, penalties or interest arising out of any refund of taxes, reduced rate of withholding at source or other tax benefit obtained.

Reclassifications, Recapitalizations and Mergers

If we take certain actions that affect the deposited securities, including (i) any change in par value, split-up, consolidation, cancellation or other reclassification of deposited securities or (ii) any distributions of shares or other property not made to holders of ADRs or (iii) any recapitalization, reorganization, merger, consolidation, liquidation, receivership, bankruptcy or sale of all or substantially all of our assets, then the depositary may choose to, and shall if reasonably requested by us:

(1) amend the form of ADR;

(2) distribute additional or amended ADRs;

(3) distribute cash, securities or other property it has received in connection with such actions;

(4) sell any securities or property received and distribute the proceeds as cash; or

(5) none of the above.

If the depositary does not choose any of the above options, any of the cash, securities or other property it receives will constitute part of the deposited securities and each ADS will then represent a proportionate interest in such property.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADSs without your consent for any reason. ADR holders must be given at least 30 days notice of any amendment that imposes or increases any

fees or charges (other than stock transfer or other taxes and other governmental charges, transfer or registration fees, SWIFT, cable, telex or facsimile transmission costs, delivery costs or other such expenses), or otherwise prejudices any substantial existing right of ADR holders. Such notice need not describe in detail the specific amendments effectuated thereby, but must identify to ADR holders a means to access the text of such amendment. If an ADR holder continues to hold an ADR or ADRs after being so notified, such ADR holder is deemed to agree to such amendment and to be bound by the deposit agreement as so amended. Notwithstanding the foregoing, if any governmental body or regulatory body should adopt new laws, rules or regulations which would require amendment or supplement of the deposit agreement or the form of ADR to ensure compliance therewith, we and the depositary may amend or supplement the deposit agreement and the ADR at any time in accordance with such changed laws, rules or regulations, which amendment or supplement may take effect before a notice is given or within any other period of time as required for compliance. No amendment, however, will impair your right to surrender your ADSs and receive the underlying securities, except in order to comply with mandatory provisions of applicable law.

How may the deposit agreement be terminated?

The depositary may, and shall at our written direction, terminate the deposit agreement and the ADRs by mailing notice of such termination to the registered holders of ADRs at least 30 days prior to the date fixed in such notice for such termination; provided, however, if the depositary shall have (i) resigned as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders unless a successor depositary shall not be operating under the deposit agreement within 60 days of the date of such resignation, and (ii) been removed as depositary under the deposit agreement, notice of such termination by the depositary shall not be provided to registered holders of ADRs unless a successor depositary shall not be operating under the deposit agreement on the 120th day after our notice of removal was first provided to the depositary. After the date so fixed for termination, (a) all direct registration ADRs shall cease to be eligible for the direct registration system and shall be considered ADRs issued on the ADR register maintained by the depositary and (b) the depositary shall use its reasonable efforts to ensure that the ADSs cease to be DTC eligible so that neither DTC nor any of its nominees shall thereafter be a registered holder of ADRs. At such time as the ADSs cease to be DTC eligible and/or neither DTC nor any of its nominees is a registered holder of ADRs, the depositary shall (a) instruct its custodian to deliver all shares to us along with a general stock power that refers to the names set forth on the ADR register maintained by the depositary and (b) provide us with a copy of the ADR register maintained by the depositary. Upon receipt of such shares and the ADR register maintained by the depositary, we have agreed to use our best efforts to issue to each registered holder a Share certificate representing the Shares represented by the ADSs reflected on the ADR register maintained by the depositary in such registered holder's name and to deliver such Share certificate to the registered holder at the address set forth on the ADR register maintained by the depositary. After providing such instruction to the custodian and delivering a copy of the ADR register to us, the depositary and its agents will perform no further acts under the deposit agreement or the ADRs and shall cease to have any obligations under the deposit agreement and/or the ADRs.

Limitations on Obligations and Liability to ADR holders

Limits on our obligations and the obligations of the depositary; limits on liability to ADR holders and holders of ADSs

Prior to the issue, registration, registration of transfer, split-up, combination, or cancellation of any ADRs, or the delivery of any distribution in respect thereof, and from time to time in the case of the production of proofs as described below, we or the depositary or its custodian may require:

- payment with respect thereto of (i) any stock transfer or other tax or other governmental charge, (ii) any stock transfer or registration fees in effect for the registration of transfers of shares or other deposited securities upon any applicable register and (iii) any applicable fees and expenses described in the deposit agreement;

- the production of proof satisfactory to it of (i) the identity of any signatory and genuineness of any signature and (ii) such other information, including without limitation, information as to citizenship, residence, exchange control approval, beneficial ownership of any securities, compliance with applicable law, regulations, provisions of or governing deposited securities and terms of the deposit agreement and the ADRs, as it may deem necessary or proper; and
- compliance with such regulations as the depositary may establish consistent with the deposit agreement.

The issuance of ADRs, the acceptance of deposits of shares, the registration, registration of transfer, split-up or combination of ADRs or the withdrawal of shares, may be suspended, generally or in particular instances, when the ADR register or any register for deposited securities is closed or when any such action is deemed advisable by the depositary; provided that the ability to withdraw shares may only be limited under the following circumstances: (i) temporary delays caused by closing transfer books of the depositary or our transfer books or the deposit of shares in connection with voting at a shareholders' meeting, or the payment of dividends, (ii) the payment of fees, taxes, and similar charges, and (iii) compliance with any laws or governmental regulations relating to ADRs or to the withdrawal of deposited securities.

The deposit agreement expressly limits the obligations and liability of the depositary, ourselves and our respective agents, provided, however, that no disclaimer of liability under the Securities Act of 1933 is intended by any of the limitations of liabilities provisions of the deposit agreement. In the deposit agreement it provides that neither we nor the depositary nor any such agent will be liable if:

- any present or future law, rule, regulation, fiat, order or decree of the United States, the Cayman Islands, the People's Republic of China (including the Hong Kong Special Administrative Region, the People's Republic of China) or any other country or jurisdiction, or of any governmental or regulatory authority or securities exchange or market or automated quotation system, the provisions of or governing any deposited securities, any present or future provision of our charter, any act of God, war, terrorism, nationalization, expropriation, currency restrictions, work stoppage, strike, civil unrest, revolutions, rebellions, explosions, computer failure or circumstance beyond our, the depositary's or our respective agents' direct and immediate control shall prevent or delay, or shall cause any of them to be subject to any civil or criminal penalty in connection with, any act which the deposit agreement or the ADRs provide shall be done or performed by us, the depositary or our respective agents (including, without limitation, voting);
- it exercises or fails to exercise discretion under the deposit agreement or the ADRs including, without limitation, any failure to determine that any distribution or action may be lawful or reasonably practicable;
- it performs its obligations under the deposit agreement and ADRs without gross negligence or willful misconduct;
- it takes any action or refrains from taking any action in reliance upon the advice of or information from legal counsel, accountants, any person presenting shares for deposit, any registered holder of ADRs, or any other person believed by it to be competent to give such advice or information; or
- it relies upon any written notice, request, direction, instruction or document believed by it to be genuine and to have been signed, presented or given by the proper party or parties.

Neither the depositary nor its agents have any obligation to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs. We and our agents shall only be obligated to appear in, prosecute or defend any action, suit or other proceeding in respect of any deposited securities or the ADRs, which in our opinion may involve us in expense or liability, if indemnity satisfactory to us against all expense (including fees and disbursements of counsel) and liability is furnished as often as may be required. The depositary and its agents may fully respond to any and all demands or requests for information maintained by or

on its behalf in connection with the deposit agreement, any registered holder or holders of ADRs, any ADRs or otherwise related to the deposit agreement or ADRs to the extent such information is requested or required by or pursuant to any lawful authority, including without limitation laws, rules, regulations, administrative or judicial process, banking, securities or other regulators. The depositary shall not be liable for the acts or omissions made by, or the insolvency of, any securities depository, clearing agency or settlement system. Furthermore, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, the insolvency of any custodian that is not a branch or affiliate of JPMorgan Chase Bank, N.A. Notwithstanding anything to the contrary contained in the deposit agreement or any ADRs, the depositary shall not be responsible for, and shall incur no liability in connection with or arising from, any act or omission to act on the part of the custodian except to the extent that the custodian has (i) committed fraud or willful misconduct in the provision of custodial services to the depositary or (ii) failed to use reasonable care in the provision of custodial services to the depositary as determined in accordance with the standards prevailing in the jurisdiction in which the custodian is located. The depositary and the custodian(s) may use third party delivery services and providers of information regarding matters such as pricing, proxy voting, corporate actions, class action litigation and other services in connection with the ADRs and the deposit agreement, and use local agents to provide extraordinary services such as attendance at annual meetings of issuers of securities. Although the depositary and the custodian will use reasonable care (and cause their agents to use reasonable care) in the selection and retention of such third party providers and local agents, they will not be responsible for any errors or omissions made by them in providing the relevant information or services. The depositary shall not have any liability for the price received in connection with any sale of securities, the timing thereof or any delay in action or omission to act nor shall it be responsible for any error or delay in action, omission to act, default or negligence on the part of the party so retained in connection with any such sale or proposed sale.

The depositary has no obligation to inform ADR holders or other holders of an interest in any ADSs about the requirements of Cayman Islands or People's Republic of China law, rules or regulations or any changes therein or thereto.

Additionally, none of us, the depositary or the custodian shall be liable for the failure by any registered holder of ADRs or beneficial owner therein to obtain the benefits of credits on the basis of non-U.S. tax paid against such holder's or beneficial owner's income tax liability. Neither we nor the depositary shall incur any liability for any tax consequences that may be incurred by registered holders or beneficial owners on account of their ownership of ADRs or ADSs.

Neither the depositary nor its agents will be responsible for any failure to carry out any instructions to vote any of the deposited securities, for the manner in which any such vote is cast or for the effect of any such vote. The depositary may rely upon instructions from us or our counsel in respect of any approval or license required for any currency conversion, transfer or distribution. The depositary shall not incur any liability for the content of any information submitted to it by us or on our behalf for distribution to ADR holders or for any inaccuracy of any translation thereof, for any investment risk associated with acquiring an interest in the deposited securities, for the validity or worth of the deposited securities, for the credit-worthiness of any third party, for allowing any rights to lapse upon the terms of the deposit agreement or for the failure or timeliness of any notice from us. The depositary shall not be liable for any acts or omissions made by a successor depositary whether in connection with a previous act or omission of the depositary or in connection with any matter arising wholly after the removal or resignation of the depositary. Neither the depositary nor any of its agents shall be liable to registered holders or beneficial owners of interests in ADSs for any indirect, special, punitive or consequential damages (including, without limitation, legal fees and expenses) or lost profits, in each case of any form incurred by any person or entity, whether or not foreseeable and regardless of the type of action in which such a claim may be brought.

In the deposit agreement each party thereto (including, for avoidance of doubt, each holder and beneficial owner and/or holder of interests in ADRs) irrevocably waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in any suit, action or proceeding against the depositary and/or us directly

or indirectly arising out of or relating to the shares or other deposited securities, the ADSs or the ADRs, the deposit agreement or any transaction contemplated therein, or the breach thereof (whether based on contract, tort, common law or any other theory).

The depositary and its agents may own and deal in any class of securities of our company and our affiliates and in ADRs.

Disclosure of Interest in ADSs

To the extent that the provisions of or governing any deposited securities may require disclosure of or impose limits on beneficial or other ownership of deposited securities, other shares and other securities and may provide for blocking transfer, voting or other rights to enforce such disclosure or limits, you agree to comply with all such disclosure requirements and ownership limitations and to comply with any reasonable instructions we may provide in respect thereof. We reserve the right to instruct you to deliver your ADSs for cancellation and withdrawal of the deposited securities so as to permit us to deal with you directly as a holder of shares and, by holding an ADS or an interest therein, you will be agreeing to comply with such instructions.

Books of Depositary

The depositary or its agent will maintain a register for the registration, registration of transfer, combination and split-up of ADRs, which register shall include the depositary's direct registration system. Registered holders of ADRs may inspect such records at the depositary's office at all reasonable times, but solely for the purpose of communicating with other holders in the interest of the business of our company or a matter relating to the deposit agreement. Such register may be closed at any time or from time to time, when deemed expedient by the depositary or, in the case of the issuance book portion of the ADR Register, when reasonably requested by the Company solely in order to enable the Company to comply with applicable law.

The depositary will maintain facilities for the delivery and receipt of ADRs.

Pre-release of ADSs

In its capacity as depositary, the depositary shall not lend shares or ADSs; provided, however, that the depositary may (i) issue ADSs prior to the receipt of shares and (ii) deliver shares prior to the receipt of ADSs for withdrawal of deposited securities, including ADSs which were issued under (i) above but for which shares may not have been received (each such transaction a "pre-release"). The depositary may receive ADSs in lieu of shares under (i) above (which ADSs will promptly be canceled by the depositary upon receipt by the depositary) and receive shares in lieu of ADSs under (ii) above. Each such pre-release will be subject to a written agreement whereby the person or entity (the "applicant") to whom ADSs or shares are to be delivered (a) represents that at the time of the pre-release the applicant or its customer owns the shares or ADSs that are to be delivered by the applicant under such pre-release, (b) agrees to indicate the depositary as owner of such shares or ADSs in its records and to hold such shares or ADSs in trust for the depositary until such shares or ADSs are delivered to the depositary or the custodian, (c) unconditionally guarantees to deliver to the depositary or the custodian, as applicable, such shares or ADSs, and (d) agrees to any additional restrictions or requirements that the depositary deems appropriate. Each such pre-release will be at all times fully collateralized with cash, U.S. government securities or such other collateral as the depositary deems appropriate, terminable by the depositary on not more than five (5) business days' notice and subject to such further indemnities and credit regulations as the depositary deems appropriate. The depositary will normally limit the number of ADSs and shares involved in such pre-release at any one time to thirty percent (30%) of the ADSs outstanding (without giving effect to ADSs outstanding under (i) above), provided, however, that the depositary reserves the right to change or disregard such limit from time to time as it deems appropriate. The depositary may also set limits with respect to the number of ADSs and shares involved in pre-release with any one person on a case-by-case basis as it deems appropriate. The depositary may retain for its own account any compensation received by it in conjunction with

the foregoing. Collateral provided in connection with pre-release transactions, but not the earnings thereon, shall be held for the benefit of the ADR holders (other than the applicant).

Appointment

In the deposit agreement, each registered holder of ADRs and each person holding an interest in ADSs, upon acceptance of any ADSs (or any interest therein) issued in accordance with the terms and conditions of the deposit agreement will be deemed for all purposes to:

- be a party to and bound by the terms of the deposit agreement and the applicable ADR or ADRs, and
- appoint the depositary its attorney-in-fact, with full power to delegate, to act on its behalf and to take any and all actions contemplated in the deposit agreement and the applicable ADR or ADRs, to adopt any and all procedures necessary to comply with applicable laws and to take such action as the depositary in its sole discretion may deem necessary or appropriate to carry out the purposes of the deposit agreement and the applicable ADR and ADRs, the taking of such actions to be the conclusive determinant of the necessity and appropriateness thereof.

Governing Law

The deposit agreement and the ADRs are governed by and construed in accordance with the laws of the State of New York. In the deposit agreement, we have submitted to the jurisdiction of the courts of the State of New York and appointed an agent for service of process on our behalf. Notwithstanding the foregoing, (i) any action based on the deposit agreement or the transactions contemplated thereby may be instituted by the depositary in any competent court in the Cayman Islands, Hong Kong, the People's Republic of China and/or the United States, (ii) the depositary may, in its sole discretion, elect to institute any action, controversy, claim or dispute directly or indirectly based on, arising out of or relating to the deposit agreement or the ADRs or the transactions contemplated thereby, including without limitation any question regarding its or their existence, validity, interpretation, performance or termination, against any other party or parties to the deposit agreement (including, without limitation, against ADR holders and owners of interests in ADSs), by having the matter referred to and finally resolved by an arbitration conducted under the terms described below, and (iii) the depositary may in its sole discretion require that any action, controversy, claim, dispute, legal suit or proceeding brought against the depositary by any party or parties to the deposit agreement (including, without limitation, by ADR holders and owners of interests in ADSs) shall be referred to and finally settled by an arbitration conducted under the terms described below. Any such arbitration shall be conducted in the English language either in New York, New York in accordance with the Commercial Arbitration Rules of the American Arbitration Association or in Hong Kong following the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL).

By holding an ADS or an interest therein, registered holders of ADRs and owners of ADSs each irrevocably agree that any legal suit, action or proceeding against or involving us or the depositary, arising out of or based upon the deposit agreement, the ADSs or the transactions contemplated thereby, may only be instituted in a state or federal court in New York, New York, and each irrevocably waives any objection which it may have to the laying of venue of any such proceeding, and irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action or proceeding.

SHARES ELIGIBLE FOR FUTURE SALE

Upon the completion of this offering, we will have 11,000,000 ADSs outstanding, representing 22,000,000 ordinary shares, or approximately 20.0% of our outstanding ordinary shares, assuming the underwriters do not exercise their option to purchase additional ADSs (or approximately 23.0% of our outstanding ordinary shares, if the underwriters exercise their option to purchase additional ADSs in full). All of the ADSs sold in this offering will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of ADSs in the public market could adversely affect prevailing market prices of the ADSs. Prior to this offering, there has been no public market for our ordinary shares or the ADSs, and while we have applied for listing our ADSs on the NASDAQ Global Select Market, we cannot assure you that a regular trading market for our ADSs may develop in the ADSs. Our ordinary shares will not be listed on any exchange or quoted for trading on any over- the-counter trading system. We do not expect that a trading market will develop for our ordinary shares not represented by the ADSs.

Lock-Up Agreements

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any ADSs, our ordinary shares or securities convertible into or exchangeable or exercisable for any ADSs or ordinary shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the representatives on behalf of the underwriters for a period ending 180 days after the date of this prospectus, except issuances pursuant to the exercise of employee share options outstanding on the date hereof and certain other exceptions.

Our directors, executive officers, shareholders and certain option holders have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or otherwise dispose of any ADSs, ordinary shares or similar securities or any securities convertible into or exchangeable or exercisable for our ordinary shares or ADSs, for a period ending 180 days after the date of this prospectus.

Rule 144

All of our ordinary shares outstanding prior to this offering are "restricted securities" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only under an effective registration statement under the Securities Act or pursuant to an available exemption from the registration requirements.

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who is not deemed to have been our affiliate at any time during the three months preceding a sale and who has beneficially owned restricted securities within the meaning of Rule 144 for more than six months would be entitled to sell an unlimited number of those shares, subject only to the availability of current public information about us. A non-affiliate who has beneficially owned restricted securities for at least one year from the later of the date these shares were acquired from us or from our affiliate would be entitled to freely sell those shares.

Our affiliates who have beneficially owned "restricted securities" for at least six months would be entitled to sell within any three-month period a number of restricted shares that does not exceed the greater of the following:

- 1% of the then outstanding ordinary shares of the same class, including shares represented by ADSs, which will equal approximately 1,100,000 ordinary shares immediately after this offering; or
- the average weekly trading volume of our ordinary shares of the same class, including shares represented by ADSs on the NASDAQ Global Select Market, during the four calendar weeks preceding the date on which notice of the sale on Form 144 is filed with the SEC.

Affiliates who sell restricted securities under Rule 144 may not solicit orders or arrange for the solicitation of orders, and they are also subject to certain manner of sale provisions and notice requirements and to the availability of current public information about us. In addition, in each case, shares held by our affiliates would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

Rule 701

Beginning 90 days after the date of this prospectus, persons other than affiliates who purchased ordinary shares under a written compensatory plan or other written agreement executed prior to the completion of this offering may be entitled to sell such shares in the United States in reliance on Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell these shares in reliance on Rule 144 subject only to its manner-of-sale requirements. However, the Rule 701 shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

Form S-8

We intend to file a registration statement on Form S-8 under the Securities Act covering all ordinary shares which are either subject to outstanding options or may be issued upon exercise of any options or other equity awards which may be granted or issued in the future pursuant to our share incentive plan. We expect to file this registration statement as soon as practicable after the date of this prospectus. Shares registered under any registration statements will be available for sale in the open market, except to the extent that the shares are subject to vesting restrictions with us or the contractual restrictions described below.

TAXATION

The following summary of Cayman Islands, PRC and U.S. federal income tax consequences of an investment in the ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This summary does not deal with all possible tax consequences relating to an investment in the ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws, or tax laws of jurisdictions other than the Cayman Islands, the PRC and the United States. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Maples and Calder (Hong Kong) LLP, our counsel as to Cayman Islands law.

Cayman Islands Tax Considerations

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or brought within, the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties which are applicable to any payments made by or to our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Payments of dividends and capital in respect of our ordinary shares or ADSs will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of our ordinary shares or ADSs, nor will gains derived from the disposal of our ordinary shares or ADSs be subject to Cayman Islands income or corporation tax.

No stamp duty is payable in respect of the issue of our ordinary shares or on an instrument of transfer in respect of our ordinary shares except on instruments executed in, or brought within, the jurisdiction of the Cayman Islands.

People’s Republic of China Tax Considerations

Under the EIT Law, which was promulgated on March 16, 2007 and amended on February 24, 2017, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise” for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. In 2009, the SAT issued SAT Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC controlled enterprise that is incorporated offshore is located in China. Further to SAT Circular 82, in 2011, the SAT issued SAT Bulletin 45 to provide more guidance on the implementation of SAT Circular 82.

According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be considered a PRC resident enterprise by virtue of having its “de facto management body” in China and will be subject to PRC enterprise income tax on its worldwide income only if all of the following conditions are met: (a) the senior management and core management departments in charge of its daily operations function have their presence mainly in the PRC; (b) its financial and human resources decisions are subject to determination or approval by persons or bodies in the PRC; (c) its major assets, accounting books, company seals, and minutes and files of its board and shareholders’ meetings are located or kept in the PRC; and (d) more than half of the enterprise’s directors or senior management with voting rights habitually reside in the PRC. Although SAT Circular 82 and SAT Bulletin 45 apply to offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups, the determination criteria set forth therein may reflect the SAT’s general position on how the term “de facto management body” could be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises, individuals or foreigners.

We believe that we do not meet all of the criteria described above. We believe that neither we nor our subsidiaries outside of China are PRC tax resident enterprises, because neither we nor they are controlled by a PRC enterprise or PRC enterprise group, and because our records and their records (including the resolutions of the respective boards of directors and the resolutions of shareholders) are maintained outside the PRC. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body" when applied to our offshore entities, we may be considered a resident enterprise and therefore may be subject to PRC enterprise income tax at a rate of 25% on our worldwide income. In addition, if the PRC tax authorities determine that we are a PRC resident enterprise for PRC enterprise income tax purposes, dividends we pay to non-PRC holders may be subject to PRC withholding tax, and gains realized on the sale or other disposition of ADSs or ordinary shares may be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals, if such dividends or gains are deemed to be from PRC sources. These rates may be reduced by an applicable tax treaty. Any such tax may reduce the returns on your investment in the ADSs.

United States Federal Income Tax Considerations

The following summary describes the material United States federal income tax consequences of the ownership of our ordinary shares and ADSs as of the date hereof. The discussion set forth below is applicable only to United States Holders and deals only with ordinary shares and ADSs held as capital assets (generally, property held for investment) under the U.S. Internal Revenue Code of 1986, as amended, or the Code. As used herein, the term "United States Holder" means a beneficial owner of an ordinary share or ADS that is for United States federal income tax purposes:

- an individual citizen or resident of the United States;
- a corporation (or other entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate the income of which is subject to United States federal income taxation regardless of its source; or
- a trust if it (1) is subject to the primary supervision of a court within the United States and one or more United States persons has or have the authority to control all substantial decisions of the trust or (2) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person.

If a partnership holds our ordinary shares or ADSs, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partnership or a partner of a partnership holding our ordinary shares or ADSs, you should consult your tax advisors.

This discussion is based upon existing U.S. federal income tax law, which is subject to differing interpretations or change, possibly with retroactive effect. This discussion is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms. No ruling has been sought from the Internal Revenue Service with respect to any U.S. federal income tax consequences described below, and there can be no assurance that the Internal Revenue Service or a court will not take a contrary position. Additionally, this discussion does not address the U.S. federal estate, gift, Medicare and alternative minimum tax considerations or any state, local and non-U.S. tax considerations, relating to the ownership or disposition of our ADSs or ordinary shares and does not address all aspects of U.S. federal income taxation that may be important to particular investors in light of their individual circumstances or to persons in special tax situations such as:

- a dealer in securities or currencies;
- a bank or other financial institution;

- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our ordinary shares or ADSs as part of a hedging, integrated or conversion transaction, a constructive sale or a straddle;
- a trader in securities that has elected the mark-to-market method of accounting for your securities;
- a person who acquires his ADSs or ordinary shares pursuant to an employee share option or otherwise as compensation;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a U.S. expatriate;
- an S corporation, partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose "functional currency" is not the United States dollar.

If you are considering the purchase, ownership or disposition of our ordinary shares or ADSs, you should consult your own tax advisors concerning the United States federal income tax consequences to you in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.

ADSs

If you hold ADSs, for United States 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 United States federal income tax.

Taxation of Dividends

Subject to the discussion under "—Passive Foreign Investment Company Rules" below, the gross amount of distributions on the ADSs or ordinary shares (including any amounts withheld to reflect PRC withholding taxes) will be taxable as dividends, to the extent paid out of our current or accumulated earnings and profits, as determined under United States federal income tax principles. Because we do not intend to determine our earnings and profits on the basis of U.S. federal income tax principles, any distribution we pay generally will be treated as a dividend for U.S. federal income tax purposes. Such income (including withheld taxes) will be includible in your gross income as ordinary income on the day actually or constructively received by you, in the case of the ordinary shares, or by the depositary, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code. The following discussion assumes that all dividends will be paid in U.S. Dollars.

A non-corporate United States Holder will be subject to tax at the preferential tax rate applicable to "qualified dividend income," provided that certain conditions are satisfied, including that (1) our ordinary shares (or ADSs representing such ordinary shares) are readily tradeable on an establishes securities market in the United States or, in the event that we are deemed to be a PRC tax resident enterprise under PRC tax law, we are eligible for the benefits of the United States-PRC income tax treaty (the "Treaty"), (2) we are neither a PFIC nor treated as such with respect to a United States Holder (as discussed below) for the taxable year in which the dividend was paid and the preceding taxable year, and (3) certain holding period requirements are met. We expect our ADSs (but not our ordinary shares) will be readily tradeable on an established securities market in the United States. There can be no assurance, however, that our ADSs will be considered readily tradable on an established securities market in subsequent years.

In the event that we are deemed to be a PRC tax resident enterprise under PRC tax law, you may be subject to PRC withholding taxes on dividends paid on our ADSs or ordinary shares, as described under "Taxation—People's Republic of China Tax Considerations." If we are deemed to be a PRC tax resident enterprise, we may, however, be eligible for the benefits of the Treaty. If we are eligible for such benefits, dividends we pay on our ordinary shares, regardless of whether such shares are represented by our ADSs, may be eligible for the reduced rates of taxation applicable to qualified dividend income, as discussed above.

Dividends will generally be treated as income from foreign sources for U.S. foreign tax credit purposes and will generally constitute passive category income. Depending on the United States Holder's individual facts and circumstances, a United States Holder may be eligible, subject to a number of complex limitations, to claim a foreign tax credit in respect of any foreign withholding taxes imposed on dividends received on our ADSs or ordinary shares. The rules governing the foreign tax credit are complex. Accordingly, United States Holders are urged to consult their tax advisors regarding the availability of the foreign tax credit under their particular circumstances. A United States Holder who does not elect to claim a foreign tax credit for foreign tax withheld may instead claim a deduction, for U.S. federal income tax purposes, in respect of such withholding, but only for a year in which such holder elects to do so for all creditable foreign income taxes.

Sale or Other Disposition

Subject to the discussion below under "—Passive Foreign Investment Company Rules," a United States Holder generally will recognize capital gain or loss upon the sale or other disposition of ADSs or ordinary shares in an amount equal to the difference between the amount realized upon the disposition and the holder's adjusted tax basis in such ADSs or ordinary shares. Any capital gain or loss will be long-term if the ADSs or ordinary shares have been held for more than one year and generally will be U.S.-source gain or loss for U.S. foreign tax credit purposes. The deductibility of a capital loss may be subject to limitations. In the event that gain from the disposition of the ADSs or ordinary shares is subject to tax in the PRC, such gain may be treated as PRC-source gain under the Treaty. United States Holders are urged to consult their tax advisors regarding the tax consequences if a foreign tax is imposed on a disposition of our ADSs or ordinary shares, including the availability of the foreign tax credit under their particular circumstances.

Passive Foreign Investment Company Rules

Based on the projected composition of our income and valuation of our assets, including goodwill (whose valuation may be based on the market value of our ADSs from time to time), we do not expect to be a PFIC for our current taxable year, and we do not expect to become one in the foreseeable future, although there can be no assurance in this regard.

In general, we will be a PFIC for any taxable year in which:

- at least 75% of our gross income is passive income; or
- at least 50% of the value (determined on the basis of a quarterly average) of our assets is attributable to assets that produce or are held for the production of passive income.

For this purpose, passive income generally includes dividends, interest, royalties and rents (other than royalties and rents derived in the active conduct of a trade or business and not derived from a related person). Additionally, for this purpose, cash is categorized as a passive asset and a company's goodwill associated with active business activity is taken into account as a non-passive asset. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of the PFIC tests, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income.

Although the law in this regard is unclear, we treat our consolidated affiliates as being owned by us for United States federal income tax purposes, not only because we exercise effective control over the operation of such entities but also because we are entitled to substantially all of their economic benefits, and, as a result, we consolidate their results of operation in our financial statements. If it were determined, however, that we are not the owner of any of our consolidated affiliates for United States federal income tax purposes, the composition of our income and assets would change and we may be a PFIC for the current or any subsequent taxable year.

The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may be a PFIC in the current or any future taxable year due to changes in our asset or income composition. Because we have valued our goodwill based on the projected market value of our equity, a decrease in the price of our ADSs in any taxable year may also result in our becoming a PFIC. The composition of our income and our assets will also be affected by how, and how quickly, we use the proceeds from this offering. Under circumstances where the cash is not deployed for active purposes, our risk of becoming a PFIC may increase. If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, you will be subject to special tax rules discussed below.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, you will be subject to special tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including, in some circumstances, a pledge, of ADSs or ordinary shares. Distributions received in a taxable year that are greater than 125% of the average annual distributions received during the shorter of the three preceding taxable years or your holding period for the ADSs or ordinary shares will be treated as excess distributions. Under these special tax rules:

- the excess distribution or gain will be allocated ratably over your holding period for the ADSs or ordinary shares;
- the amount allocated to the current taxable year, and any taxable year prior to the first taxable year in which we were a PFIC, will be treated as ordinary income; and
- the amount allocated to each other year will be subject to tax at the highest tax rate in effect for that year and the interest charge generally applicable to underpayments of tax will be imposed on the resulting tax attributable to each such year.

In addition, non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

If we were a PFIC for any taxable year during which you hold our ADSs or ordinary shares and any of our non-United States subsidiaries was also a PFIC, you would be treated as owning a proportionate amount (by value) of the shares of the lower-tier PFIC for purposes of the application of these rules. You are urged to consult your tax advisors about the application of the PFIC rules to any of our subsidiaries.

As an alternative to the foregoing rules, a United States Holder of "marketable stock" in a PFIC may make a mark-to-market election with respect to such stock, provided that such stock is "regularly traded." For those purposes, our ADSs, but not our ordinary shares, will be treated as marketable stock upon their listing on the Nasdaq. However, no assurances may be given that the ADSs will be regularly traded at all times. If a United States Holder makes this election, the holder will generally (i) include as ordinary income for each taxable year that we are a PFIC the excess, if any, of the fair market value of the ADSs held at the end of the taxable year over the adjusted tax basis of such ADSs held at the end of the taxable year and (ii) deduct as an ordinary loss the excess, if any of the adjusted tax basis of the ADSs over the fair market value of such ADSs held at the end of the taxable year, but such deduction will only be allowed to the extent of the amount previously included in income as a result of the mark-to-market election. If a United States Holder makes a mark-to-market election in respect of a corporation classified as a PFIC and such corporation ceases to be classified as a PFIC, the holder will not be

required to take into account the gain or loss described above during any period that such corporation is not classified as a PFIC. If a United States Holder makes a mark-to-market election, any gain such United States Holder recognizes upon the sale or other disposition of our ADSs in a year when we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but such loss will only be treated as ordinary loss to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make a mark-to-market election it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer regularly traded on a qualified exchange or the Internal Revenue Service consents to the revocation of the election. You are urged to consult your tax advisor about the availability of the mark-to-market election, and whether making the election would be advisable in your particular circumstances.

Because, as a technical matter, a mark-to-market election cannot be made for any lower-tier PFICs that we may own, a United States Holder may continue to be subject to the PFIC rules with respect to such United States Holder's indirect interest in any investments held by us that are treated as an equity interest in a PFIC for U.S. federal income tax purposes.

We do not intend to provide the information United States Holders would need to make a qualified electing fund election for the current taxable year, and as such the qualified electing fund election has not been and will not be available to United States Holders.

You will generally be required to file Internal Revenue Service Form 8621 if you hold our ADSs or ordinary shares in any year in which we are classified as a PFIC. You are urged to consult your tax advisors concerning the United States federal income tax consequences of holding ADSs or ordinary shares if we are considered a PFIC in any taxable year.

Information Reporting and Backup Withholding

In general, information reporting will apply to dividends in respect of our ADSs or ordinary shares and the proceeds from the sale, exchange or redemption of our ADSs or ordinary shares that are paid to you within the United States (and in certain cases, outside the United States), unless you are an exempt recipient. A backup withholding rules may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or, in the case of dividend payments, if you fail to report in full dividend and interest income.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your United States federal income tax liability provided the required information is furnished to the Internal Revenue Service in a timely manner.

Certain United States Holders are required to report information relating to ADSs or ordinary shares, subject to certain exceptions (including an exception for ADSs or ordinary shares held in accounts maintained by certain financial institutions). You are urged to consult your own tax advisors regarding information reporting requirements relating to your ownership of the ADSs or ordinary shares.

UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated the date of this prospectus, we and the selling shareholders have agreed to sell to the underwriters named below, for whom Morgan Stanley & Co. International plc, Credit Suisse Securities (USA) LLC and UBS Securities LLC are acting as representatives, the following respective numbers of shares of ADSs:

Underwriter	Number of ADSs
Morgan Stanley & Co. International plc	
Credit Suisse Securities (USA) LLC	
UBS Securities LLC	
HSBC Securities (USA) Inc.	
Total	11,000,000

The underwriting agreement provides that the underwriters are obligated to purchase all ADSs in the offering if any are purchased, other than those ADSs covered by the over-allotment option described below. The underwriting agreement also provides that if an underwriter defaults the purchase commitments of non-defaulting underwriters may be increased or the offering may be terminated.

We and the selling shareholders have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

At our request, the underwriters have reserved up to 770,000 of the ADSs being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us. The sales will be made by Morgan Stanley & Co. International plc, an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved ADSs, but any purchases they do make will reduce the number of ADSs available to the general public. Any reserved ADSs not so purchased will be offered by the underwriters to the general public on the same terms as the other ADSs.

One of the selling shareholders has granted to the underwriters a 30-day option to purchase up to 1,650,000 additional ADSs from us at the initial public offering price less the underwriting discounts and commissions. The option may be exercised only to cover any over-allotments of ADSs.

The underwriters propose to offer ADSs initially at the public offering price on the cover page of this prospectus and to selling group members at that price less a selling concession of US$ per ADS. The underwriters and selling group members may allow a discount of US$ per ADS on sales to other broker/dealers. After the initial public offering the underwriters may change the public offering price and concession and discount to broker/dealers.

We will pay underwriting discounts and commissions and offering expenses payable by us, including all of the underwriting discounts and commissions of the selling shareholders. The following table summarizes the compensation and estimated expenses we will pay:

	Per ADS		Total	
	Without Over-allotment	With Over-allotment	Without Over-allotment	With Over-allotment
Underwriting Discounts and Commissions paid by us	US$	US$	US$	US$
Expenses payable by us	US$	US$	US$	US$

We have agreed that we will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act

relating to, any ADSs, our ordinary shares or securities convertible into or exchangeable or exercisable for any ADSs or our ordinary shares, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, without the prior written consent of the representatives on behalf of the underwriters for a period of 180 days after the date of this prospectus, except issuances pursuant to the exercise of employee share options outstanding on the date hereof and certain other exceptions.

We and the selling shareholders have also agreed to reimburse the underwriters up to US$ for certain out-of-pocket expenses.

Our officers, directors, the shareholders and certain option holders have agreed that, subject to certain exceptions, they will not offer, sell, contract to sell, pledge or otherwise dispose of, directly or indirectly, any ADSs, our ordinary shares or securities convertible into or exchangeable or exercisable for any ADSs or our ordinary shares, enter into a transaction that would have the same effect, or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of ADSs or our ordinary shares, whether any of these transactions are to be settled by delivery of ADSs or our ordinary shares or other securities, in cash or otherwise, or publicly disclose the intention to make any offer, sale, pledge or disposition, or to enter into any transaction, swap, hedge or other arrangement, without, in each case, the prior written consent of the representatives on behalf of the underwriters and for a period of 180 days after the date of this prospectus. After the expiration of the 180-day period, the ordinary shares or ADSs held by our directors, executive officers or such shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

We have applied to list our ADSs on the Nasdaq.

Prior to this offering, there has been no public market for the ADSs. The initial public offering price was determined by negotiations among us and the representatives and will not necessarily reflect the market price of the ADSs following this offering. The principal factors that were considered in determining the initial public offering price included:

- the information presented in this prospectus and otherwise available to the underwriters;
- the history of, and prospects for, the industry in which we will compete;
- the ability of our management;
- the prospects for our future earnings;
- the present state of our development, results of operations and our current financial condition;
- the general condition of the securities markets at the time of this offering; and
- the recent market prices of, and the demand for, publicly traded common stock of generally comparable companies.

We cannot assure you that the initial public offering price will correspond to the price at which the ADSs will trade in the public market subsequent to this offering or that an active trading market for the ADSs will develop and continue after this offering.

In connection with the offering the underwriters may engage in stabilizing transactions, over-allotment transactions, syndicate covering transactions, penalty bids and passive market making in accordance with Regulation M under the Exchange Act.

- Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum.

- Over-allotment involves sales by the underwriters of ADSs in excess of the number of ADSs the underwriters are obligated to purchase, which creates a syndicate short position. The short position may be either a covered short position or a naked short position. In a covered short position, the number of ADSs over-allotted by the underwriters is not greater than the number of ADSs that they may purchase in the over-allotment option. In a naked short position, the number of ADSs involved is greater than the number of ADSs in the over-allotment option. The underwriters may close out any covered short position by either exercising their over-allotment option and/or purchasing ADSs in the open market.
- Syndicate covering transactions involve purchases of ADSs in the open market after the distribution has been completed in order to cover syndicate short positions. In determining the source of ADSs to close out the short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase ADSs through the over-allotment option. If the underwriters sell more ADSs than could be covered by the over-allotment option, a naked short position, the position can only be closed out by buying ADSs in the open market. A naked short position is more likely to be created if the underwriters are concerned that there could be downward pressure on the price of the ADSs in the open market after pricing that could adversely affect investors who purchase in the offering.
- Penalty bids permit the representatives to reclaim a selling concession from a syndicate member when the common stock originally sold by the syndicate member is purchased in a stabilizing or syndicate covering transaction to cover syndicate short positions.
- In passive market making, market makers in the ADSs who are underwriters or prospective underwriters may, subject to limitations, make bids for or purchases of our ADSs until the time, if any, at which a stabilizing bid is made.

These stabilizing transactions, syndicate covering transactions and penalty bids may have the effect of raising or maintaining the market price of our ADSs or preventing or retarding a decline in the market price of the ADSs. As a result the price of our ADSs may be higher than the price that might otherwise exist in the open market. These transactions may be effected on the Nasdaq or otherwise and, if commenced, may be discontinued at any time.

A prospectus in electronic format may be made available on the web sites maintained by one or more of the underwriters, or selling group members, if any, participating in this offering and one or more of the underwriters participating in this offering may distribute prospectuses electronically. The representatives may agree to allocate a number of ADSs to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the underwriters and selling group members that will make Internet distributions on the same basis as other allocations.

The underwriters and their respective affiliates are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. Certain of the underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for us, for which they received or will receive customary fees and expenses.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. These investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Selling Restrictions

Australia

No placement document, prospectus, product disclosure statement or other disclosure document has been lodged with the Australian Securities and Investments Commission, or ASIC, in relation to the offering. This prospectus does not constitute a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001, or the Corporations Act, and does not purport to include the information required for a prospectus, product disclosure statement or other disclosure document under the Corporations Act. Any offer in Australia of the ADSs may only be made to persons, or the Exempt Investors, who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), "professional investors" (within the meaning of section 708(11) of the Corporations Act) or otherwise pursuant to one or more exemptions contained in section 708 of the Corporations Act so that it is lawful to offer the ADSs without disclosure to investors under Chapter 6D of the Corporations Act. The ADSs applied for by Exempt Investors in Australia must not be offered for sale in Australia in the period of 12 months after the date of allotment under the offering, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 of the Corporations Act or otherwise or where the offer is pursuant to a disclosure document which complies with Chapter 6D of the Corporations Act. Any person acquiring ADSs must observe such Australian on-sale restrictions. This prospectus contains general information only and does not take account of the investment objectives, financial situation or particular needs of any particular person. It does not contain any ADSs recommendations or financial product advice. Before making an investment decision, investors need to consider whether the information in this prospectus is appropriate to their needs, objectives and circumstances, and, if necessary, seek expert advice on those matters.

Canada

The securities may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts, or NI 33-105, the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Cayman Islands

This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the ADSs, whether by way of sale or subscription. The underwriters have not offered or sold, and will not offer or sell, directly or indirectly, any ADSs in the Cayman Islands.

Dubai International Financial Center

This document relates to an exempt offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to persons of a type specified in

those rules. It must not be delivered to, or relied on by, any other person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with exempt offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The ADSs which are the subject of the offering contemplated by this document may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial advisor.

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), each underwriter represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of ADSs which are the subject of the offering contemplated by this prospectus to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of ADSs shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe the ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression Prospectus Directive means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

France

Neither this prospectus nor any other offering material relating to the ADSs described in this prospectus has been submitted to the clearance procedures of the Autorité des Marchés Financiers or of the competent authority of another member state of the European Economic Area and notified to the Autorité des Marchés Financiers. The ADSs have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France. Neither this prospectus nor any other offering material relating to the ADSs has been or will be:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the relevant member state has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,
- released, issued, distributed or caused to be released, issued or distributed to the public in France; or
- used in connection with any offer for subscription or sale of the ADSs to the public in France.

Such offers, sales and distributions will be made in France only:

- to qualified investors (*investisseurs qualifiés)* and/or to a restricted circle of investors (*cercle restreint d'inves*tisseurs), in each case investing for their own account, all as defined in, and in accordance with articles L.411-2, D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Code monétaire et financier;
- to investment services providers authorized to engage in portfolio management on behalf of third parties; or
- in a transaction that, in accordance with article L.411-2-II-1° -or-2° -or 3° of the French Code monétaire et financier and article 211-2 of the General Regulations (*Règlement Général*) of the Autorité des Marchés Financiers, does not constitute a public offer (*appel public à l'épargne*).

The ADSs may be resold directly or indirectly, only in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 through L.621-8-3 of the French Code monétaire et financier.

Germany

This prospectus does not constitute a Prospectus Directive-compliant prospectus in accordance with the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and does therefore not allow any public offering in the Federal Republic of Germany, or Germany, or any other Relevant Member State pursuant to § 17 and § 18 of the German Securities Prospectus Act. No action has been or will be taken in Germany that would permit a public offering of the ADSs, or distribution of a prospectus or any other offering material relating to the ADSs. In particular, no securities prospectus (Wertpapierprospekt) within the meaning of the German Securities Prospectus Act or any other applicable laws of Germany, has been or will be published within Germany, nor has this prospectus been filed with or approved by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) for publication within Germany.

Each underwriter will represent, agree and undertake, (i) that it has not offered, sold or delivered and will not offer, sell or deliver the ADSs within Germany other than in accordance with the German Securities Prospectus Act (Wertpapierprospektgesetz) and any other applicable laws in Germany governing the issue, sale and offering of ADSs, and (ii) that it will distribute in Germany any offering material relating to the ADSs only under circumstances that will result in compliance with the applicable rules and regulations of Germany.

This prospectus is strictly for use of the person who has received it. It may not be forwarded to other persons or published in Germany.

Hong Kong

The ADSs may not be offered or sold in Hong Kong by means of any document other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap.571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap.32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Israel

This prospectus does not constitute a prospectus under the Israeli Securities Law, 5728-1968, and has not been filed with or approved by the Israel Securities Authority. In Israel, this prospectus is being distributed only

to, and is directed only at, investors listed in the first addendum, or the Addendum, to the Israeli Securities Law, consisting primarily of joint investment in trust funds, provident funds, insurance companies, banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange, underwriters purchasing for their own account, venture capital funds, entities with equity in excess of NIS 50 million and qualified individuals, each as defined in the Addendum (as it may be amended from time to time), collectively referred to as qualified investors. Qualified investors may be required to submit written confirmation that they meet the criteria for one of the categories of investors set forth in the prospectus.

Italy

The offering of ADSs has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("CONSOB") pursuant to Italian securities legislation and, accordingly, no ADSs may be offered, sold or delivered, nor copies of this prospectus or any other documents relating to the ADSs may not be distributed in Italy except:

- to "qualified investors," as referred to in Article 100 of Legislative Decree No. 58 of February 24, 1998, as amended, or the Decree No. 58, and defined in Article 26, paragraph 1, letter d) of CONSOB Regulation No. 16190 of October 29, 2007, as amended ("Regulation No. 16190") pursuant to Article 34-ter, paragraph 1, letter. b) of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("Regulation No. 11971"); or
- in any other circumstances where an express exemption from compliance with the offer restrictions applies, as provided under Decree No. 58 or Regulation No. 11971.

Any offer, sale or delivery of the ADSs or distribution of copies of this prospectus or any other documents relating to the ADSs in the Republic of Italy must be:

- made by investment firms, banks or financial intermediaries permitted to conduct such activities in the Republic of Italy in accordance with Legislative Decree No. 385 of September 1, 1993, as amended, or the Banking Law, Decree No. 58 and Regulation No. 16190 and any other applicable laws and regulations;
- in compliance with Article 129 of the Banking Law, and the implementing guidelines of the Bank of Italy, as amended; and
- in compliance with any other applicable notification requirement or limitation which may be imposed, from time to time, by CONSOB or the Bank of Italy or other competent authority.

Please note that, in accordance with Article 100-bis of Decree No. 58, where no exemption from the rules on public offerings applies, the subsequent distribution of the ADSs on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971.

Furthermore, ADSs which are initially offered and placed in Italy or abroad to qualified investors only but in the following year are regularly ("sistematicamente") distributed on the secondary market in Italy to non-qualified investors become subject to the public offer and the prospectus requirement rules provided under Decree No. 58 and Regulation No. 11971. Failure to comply with such rules may result in the sale of the ADSs being declared null and void and in the liability of the intermediary transferring the ADSs for any damages suffered by such non-qualified investors.

Japan

The ADSs have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) and accordingly, will not be offered or sold, directly or indirectly, in

Japan, or for the benefit of any Japanese Person or to others for re-offering or resale, directly or indirectly, in Japan or to any Japanese Person, except in compliance with all applicable laws, regulations and ministerial guidelines promulgated by relevant Japanese governmental or regulatory authorities in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

PRC

This prospectus has not been and will not be circulated or distributed in the PRC, and the ADSs may not be offered or sold, and will not be offered or sold, directly or indirectly, to any resident of the PRC or to persons for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. For the purpose of this paragraph, the PRC does not include Taiwan and the Special Administrative Regions of Hong Kong and Macao.

Qatar

The ADSs have not been and will not be offered, sold or delivered at any time, directly or indirectly, in the State of Qatar ("Qatar") in a manner that would constitute a public offering. This prospectus has not been reviewed or approved by or registered with the Qatar Central Bank, the Qatar Exchange or the Qatar Financial Markets Authority. This prospectus is strictly private and confidential, and may not be reproduced or used for any other purpose, nor provided to any person other than the recipient thereof.

Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than

- to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore, or the SFA,
- to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or
- otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.
- Where the ADSs are subscribed or purchased under Section 275 of the SFA by a relevant person which is:
    - a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
    - a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs pursuant to an offer made under Section 275 of the SFA except:
        (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Switzerland

This document is not intended to constitute an offer or solicitation to purchase or invest in the ADSs described herein. The ADSs may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the ADSs constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this document nor any other offering or marketing material relating to the ADSs may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, nor the Company nor the ADSs have been or will be filed with or approved by any Swiss regulatory authority. The ADSs are not subject to the supervision by any Swiss regulatory authority, e.g., the Swiss Financial Markets Supervisory Authority FINMA, and investors in the ADSs will not benefit from protection or supervision by such authority.

Taiwan

The ADSs have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that require a registration, filing or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the ADSs in Taiwan.

United Arab Emirates (Excluding the Dubai International Financial Center)

The ADSs have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates, or U.A.E., other than in compliance with the laws of the U.A.E. Prospective investors in the Dubai International Financial Centre should have regard to the specific selling restrictions on prospective investors in the Dubai International Financial Centre set out below.

The information contained in this prospectus does not constitute a public offer of ADSs in the U.A.E. in accordance with the Commercial Companies Law (Federal Law No. 8 of 1984 of the U.A.E., as amended) or otherwise and is not intended to be a public offer. This prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates, the Emirates Securities and Commodities Authority or the Dubai Financial Services Authority, or DFSA. If you do not understand the contents of this prospectus, you should consult an authorized financial adviser. This prospectus is provided for the benefit of the recipient only, and should not be delivered to, or relied on by, any other person.

United Kingdom

Each of the underwriters severally represents warrants and agrees as follows:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of

Section 21 of the Financial Services and Markets Act 2000, or FSMA, received by it in connection with the issue or sale of the ADSs in circumstances in which Section 21 of the FSMA does not apply to us; and

- it has complied with, and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the ADSs in, from or otherwise involving the United Kingdom.

EXPENSES RELATED TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that are expected to be incurred in connection with the offer and sale of the ADSs by us and the selling shareholders. With the exception of the SEC registration fee, the Nasdaq listing fee and the Financial Industry Regulatory Authority filing fee, all amounts are estimates.

SEC registration fee	US$ 21,189
Financial Industry Regulatory Authority filing fee	US$ 27,065
Nasdaq listing fee	US$ 25,000
Printing and engraving expenses	US$ 115,000
Accounting fees and expenses	US$ 906,000
Legal fees and expenses	US$2,200,000
Miscellaneous	US$1,157,000
Total	US$4,451,254

LEGAL MATTERS

The validity of the ADSs and certain other legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for us by Kirkland & Ellis International LLP. Certain legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for the underwriters by Davis Polk & Wardwell LLP. The validity of the ordinary shares represented by the ADSs offered in this offering and other certain legal matters as to Cayman Islands law will be passed upon for us by Maples and Calder (Hong Kong) LLP. Legal matters as to PRC law will be passed upon for us by Haiwen & Partners and for the underwriters by Fangda Partners. Kirkland & Ellis International LLP may rely upon Maples and Calder (Hong Kong) LLP with respect to matters governed by Cayman Islands law and Haiwen & Partners with respect to matters governed by PRC law. Davis Polk & Wardwell LLP may rely upon Fangda Partners with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements of RISE Education Cayman Ltd as of December 31, 2015 and 2016, and for each of the three years in the period ended December 31, 2016, appearing in this Prospectus and Registration Statement have been audited by Ernst & Young Hua Ming LLP, independent registered public accounting firm, as set forth in their report thereon appearing elsewhere herein, and are included in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The offices of Ernst & Young Hua Ming LLP are located at Oriental Plaza, No. 1 East Chang An Avenue, Dong Cheng District, Beijing 100738, China.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits, under the Securities Act with respect to the underlying ordinary shares represented by the ADSs to be sold in this offering. We have also filed with the SEC a related registration statement on Form F-6 to register the ADSs. This prospectus, which constitutes a part of the registration statement on Form F-1, does not contain all of the information contained in the registration statement. You should read our registration statements and their exhibits and schedules for further information with respect to us and the ADSs.

Immediately upon the effectiveness of the registration statement to which this prospectus is a part, we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing, among other things, the furnishing and content of proxy statements to shareholders, and Section 16 short swing profit reporting for our executive officers and directors and for holders of more than 10% of our ordinary shares.

All information filed with the SEC can be obtained over the Internet at the SEC's website at www.sec.gov or inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 or visit the SEC website for further information on the operation of the public reference rooms.

RISE EDUCATION CAYMAN LTD

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of RISE Education Cayman Ltd

We have audited the accompanying consolidated balance sheets of RISE Education Cayman Ltd as of December 31, 2015 and 2016, and the related consolidated statements of consolidated statements of (loss)/income, comprehensive (loss)/income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of RISE Education Cayman Ltd at December 31, 2015 and 2016, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young Hua Ming LLP
Beijing, the People's Republic of China
July 28, 2017

RISE EDUCATION CAYMAN LTD

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	Notes	As at December 31, 2015 RMB	As at December 31, 2016 RMB	As at December 31, 2016 US$
ASSETS				
Current assets:				
Cash and cash equivalents		517,436	639,999	94,405
Restricted cash		4,712	16,689	2,462
Short-term investments		1,033	—	—
Inventories		5,963	5,533	816
Prepayments and other current assets	5	24,080	45,517	6,714
Total current assets		**553,224**	**707,738**	**104,397**
Non-current assets:				
Property and equipment, net	6	70,860	75,673	11,162
Intangible assets, net	7	244,798	225,951	33,330
Goodwill	8	444,412	461,686	68,102
Deferred tax assets	11	374	4,087	603
Other non-current assets		22,070	25,163	3,712
Total non-current assets		**782,514**	**792,560**	**116,909**
Total assets		**1,335,738**	**1,500,298**	**221,306**
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities (including current liabilities of the VIEs without recourse to the Company amounting to RMB533,607 and RMB660,446 (US$97,421) as of December 31, 2015 and 2016, respectively):				
Current portion of long-term loan	10	—	38,186	5,633
Accounts payable		2,938	4,068	600
Accrued expenses and other current liabilities	9	73,172	96,158	14,184
Deferred revenue and customer advances		489,918	601,324	88,700
Income taxes payable	11	5,398	23,630	3,486
Total current liabilities		**571,426**	**763,366**	**112,603**

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED BALANCE SHEETS (Continued)

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	Notes	As at December 31, 2015 RMB	As at December 31, 2016 RMB	As at December 31, 2016 US$
Non-current liabilities (including non-current liabilities of the VIEs without recourse to the Company amounting to RMB6,510 and RMB4,271 (US$630) as of December 31, 2015 and 2016, respectively)				
Long-term loan	10	—	333,102	49,135
Deferred tax liabilities	11	4,120	3,070	453
Other non-current liabilities	11	8,867	2,333	344
Total non-current liabilities		**12,987**	**338,505**	**49,932**
Total liabilities		**584,413**	**1,101,871**	**162,535**
Commitments and contingencies	16			
Shareholders' equity:				
Ordinary shares (US$0.01 par value; 200,000,000 shares authorized, 100,000,000 shares issued and outstanding as of December 31, 2015 and 2016, respectively)		6,120	6,120	903
Additional paid-in capital		878,385	452,369	66,728
Statutory reserves	13	25,870	32,511	4,796
Accumulated deficit		(181,546)	(134,264)	(19,805)
Accumulated other comprehensive income	17	28,189	50,464	7,444
Total RISE Education Cayman Ltd shareholders' equity		**757,018**	**407,200**	**60,066**
Non-controlling interests		(5,693)	(8,773)	(1,295)
Total equity		**751,325**	**398,427**	**58,771**
Total liabilities, non-controlling interests and shareholders' equity		**1,335,738**	**1,500,298**	**221,306**

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF (LOSS)/INCOME

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	Notes	For the years ended December 31,			
		2014	2015	2016	2016
		RMB	RMB	RMB	US$
Revenues	4	406,705	529,469	710,993	104,877
Cost of revenues		(295,097)	(346,671)	(363,579)	(53,631)
Gross profit		**111,608**	**182,798**	**347,414**	**51,246**
Operating expenses:					
Selling and marketing		(74,368)	(96,688)	(128,475)	(18,951)
General and administrative		(122,791)	(135,603)	(148,093)	(21,845)
Total operating expenses		**(197,159)**	**(232,291)**	**(276,568)**	**(40,796)**
Operating (loss)/income		**(85,551)**	**(49,493)**	**70,846**	**10,450**
Interest income		7,150	17,853	16,622	2,452
Interest expense		—	—	(6,073)	(896)
Foreign currency exchange loss		(27)	(1,473)	(2,741)	(404)
Other income, net		74	253	4,391	648
(Loss)/income before income tax expense		**(78,354)**	**(32,860)**	**83,045**	**12,250**
Income tax benefit/(expense)	11	5,685	1,119	(32,202)	(4,750)
Net (loss)/income		**(72,669)**	**(31,741)**	**50,843**	**7,500**
Add: Net loss attributable to non-controlling interests		7,497	5,456	3,080	454
Net (loss)/income attributable to RISE Education Cayman Ltd		**(65,172)**	**(26,285)**	**53,923**	**7,954**
Net (loss)/income per share:					
Basic and diluted	14	(0.65)	(0.26)	0.54	0.08
Shares used in net (loss)/income per share computation:					
Basic and diluted	14	100,000,000	100,000,000	100,000,000	

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS)/INCOME

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	For the years ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
Net (loss)/income	**(72,669)**	**(31,741)**	**50,843**	**7,500**
Other comprehensive income, net of tax of nil:				
Foreign currency translation adjustments	11,548	21,124	22,275	3,286
Other comprehensive income	**11,548**	**21,124**	**22,275**	**3,286**
Comprehensive (loss)/income	**(61,121)**	**(10,617)**	**73,118**	**10,786**
Add: comprehensive loss attributable to non-controlling interests	7,497	5,456	3,080	454
Comprehensive (loss)/income attributable to RISE Education Cayman Ltd	**(53,624)**	**(5,161)**	**76,198**	**11,240**

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares)

	Ordinary shares (Number)	Ordinary shares (Amount)	Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulative other comprehensive (loss)/income	Total RISE Education Cayman Ltd shareholder's equity	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2014	100,000,000	6,120	881,303	18,957	(83,176)	(4,483)	818,721	324	819,045
Appropriation of statutory reserves	—	—	—	5,244	(5,244)	—	—	—	—
Purchase of non-controlling interest in a VIE's subsidiary*	—	—	(2,918)	—	—	—	(2,918)	2,918	—
Capital contribution from a non-controlling interest shareholder	—	—	—	—	—	—	—	3,920	3,920
Net loss	—	—	—	—	(65,172)	—	(65,172)	(7,497)	(72,669)
Other comprehensive income	—	—	—	—	—	11,548	11,548	—	11,548
Balance at December 31, 2014	100,000,000	6,120	878,385	24,201	(153,592)	7,065	762,179	(335)	761,844

* In 2014, the Group purchased all the outstanding equity interest held by the minority shareholder in a subsidiary of the VIE, which was accounted for as an equity transaction.

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares)

	Ordinary shares (Number)	Ordinary shares (Amount)	Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulative other comprehensive (loss)/income	Total RISE Education Cayman Ltd shareholder's equity	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2015	100,000,000	6,120	878,385	24,201	(153,592)	7,065	762,179	(335)	761,844
Appropriation of statutory reserves	—	—	—	1,669	(1,669)	—	—	—	—
Capital contribution from a non-controlling interest shareholder	—	—	—	—	—	—	—	98	98
Net loss	—	—	—	—	(26,285)	—	(26,285)	(5,456)	(31,741)
Other comprehensive income	—	—	—	—	—	21,124	21,124	—	21,124
Balance at December 31, 2015	100,000,000	6,120	878,385	25,870	(181,546)	28,189	757,018	(5,693)	751,325

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares)

	Ordinary shares (Number)	Ordinary shares (Amount)	Additional paid-in capital	Statutory reserves	Accumulated deficit	Accumulative other comprehensive (loss)/income	Total RISE Education Cayman Ltd shareholder's equity	Non-controlling interests	Total shareholders' equity
Balance at January 1, 2016	100,000,000	6,120	878,385	25,870	(181,546)	28,189	757,018	(5,693)	751,325
Appropriation of statutory reserves	—	—	—	6,641	(6,641)	—	—	—	—
Distribution to shareholders*	—	—	(426,016)	—	—	—	(426,016)	—	(426,016)
Net income	—	—	—	—	53,923	—	53,923	(3,080)	50,843
Other comprehensive income	—	—	—	—	—	22,275	22,275	—	22,275
Balance at December 31, 2016	100,000,000	6,120	452,369	32,511	(134,264)	50,464	407,200	(8,773)	398,427
Balance at December 31, 2016 (US$)	100,000,000	903	66,728	4,796	(19,805)	7,444	60,066	(1,295)	58,771

* On April 21, 2016 and September 12, 2016, the Board of Directors approved cash distributions that was paid by the Company to the shareholders amounting to US$10,996 and US$53,000, respectively.

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"))

	For the years ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss)/income	(72,669)	(31,741)	50,843	7,500
Adjustments to reconcile net (loss)/income to net cash used in operating activities:				
Depreciation and amortization expenses	100,322	91,507	69,822	10,299
Loss on disposal of equipment	66	485	16	2
Deferred income tax benefit	(22,330)	(11,997)	(4,763)	(703)
Changes in operating assets and liabilities:				
Restricted cash	(812)	(3,899)	(897)	(132)
Prepayments and other current assets	9,175	(2,716)	(16,756)	(2,472)
Inventories	1,851	1,520	430	63
Accounts payable	1,089	(659)	1,130	167
Accrued expenses and other current liabilities	(9,476)	11,922	20,520	3,027
Income taxes payable	751	(2,343)	17,959	2,649
Deferred revenue and customer advances	23,265	105,516	111,406	16,433
Other non-current assets	(10,162)	2,537	(3,093)	(456)
Other non-current liabilities	3,975	3,588	(6,534)	(963)
Net cash generated from operating activities	**25,045**	**163,720**	**240,083**	**35,414**
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of equipment	110	188	190	28
Purchase of property and equipment	(36,375)	(34,979)	(35,450)	(5,229)
Purchase of intangible assets	(4,249)	(8,409)	(8,317)	(1,227)
Purchase of short-term investments	(397,505)	(308,000)	(615,100)	(90,732)
Proceeds from maturity of short-term investments	391,505	312,967	616,133	90,884
Loans to a related party	—	(200,000)	(280,000)	(41,302)
Repayment of loans from a related party	—	200,000	280,000	41,302
Acquisition of subsidiary and schools, net of cash acquired	(263)	—	—	—
Net cash used in investing activities	**(46,777)**	**(38,233)**	**(42,544)**	**(6,276)**

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"))

	For the years ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
CASH FLOWS FROM FINANCING ACTIVITIES				
Change in restricted cash	—	—	(11,080)	(1,634)
Proceeds from long-term loan, net of arrangement fees	—	—	356,887	52,644
Capital contribution from a non-controlling interest shareholder	3,920	98	—	—
Distribution to shareholders	—	—	(426,016)	(62,841)
Net cash generated from/ (used in) financing activities	**3,920**	**98**	**(80,209)**	**(11,831)**
Effects of exchange rate changes	309	2,378	5,233	772
Net (decrease)/increase in cash and cash equivalents	(17,503)	127,963	122,563	18,079
Cash and cash equivalents at beginning of year	406,976	389,473	517,436	76,326
Cash and cash equivalents at end of year	**389,473**	**517,436**	**639,999**	**94,405**
Supplemental disclosures of cash flow information:				
Income taxes paid	(11,919)	(9,633)	(25,845)	(3,812)
Interest expense paid	—	—	(4,170)	(615)
Non-cash investing activities:				
Purchase of property and equipment included in accrued expenses and other current liabilities	(5,410)	(4,660)	(7,292)	(1,076)
Purchase of non-controlling interest in a VIE's subsidiary	(2,918)	—	—	—

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

RISE Education Cayman Ltd (the "Company") is a limited company incorporated in the Cayman Islands under the laws of Cayman Islands on July 16, 2013. On September 30, 2013 (the "Acquisition date"), the Company acquired from certain third-party sellers a junior English Language Training ("ELT") business (the "Acquisition").

The Company does not conduct any substantive operations on its own but instead conducts its primary business operations through its wholly-owned subsidiaries, the variable interest entity (the "VIE"), and the VIE's subsidiaries and schools, which are located in the People's Republic of China (the "PRC"). The VIE, the VIE's subsidiaries and schools, hereinafter are collectively referred to as the "VIEs". The accompanying consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiaries and the VIEs (hereinafter collectively referred to as the "Group").

The Group is principally engaged in the business of providing junior ELT services in the PRC primarily under the "RISE" brand. The Group offers a wide range of educational programs, services and products, consisting primarily of educational courses, sale of course materials, franchise services, and study tours.

As of December 31, 2016, details of the Company's subsidiaries, the VIE and the VIE's subsidiaries and schools are as follows:

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the Company	Principal activity
Subsidiaries of the Company:				
RISE Education Cayman III Ltd ("Cayman III")	July 29, 2013	Cayman Islands	100%	Investment holding
RISE Education Cayman I Ltd ("Cayman")	June 19, 2013	Cayman Islands	100%	Investment holding
Rise IP (Cayman) Limited ("Rise IP")	July 24, 2013	Cayman Islands	100%	Educational consulting
Bain Capital Rise Education (HK) Limited ("Rise HK")	June 24, 2013	Hong Kong	100%	Educational consulting
Rise (Tianjin) Education Information Consulting Co., Ltd. ("Rise Tianjin" or "WFOE")	August 12, 2013	PRC	100%	Educational consulting
VIE:				
Beijing Step Ahead Education Technology Development Co., Ltd.	January 2, 2008	PRC	—	Educational consulting
VIE's subsidiaries and schools:				
Beijing Haidian District Step Ahead Training School	September 18, 2008	PRC	—	Language education

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the Company	Principal activity
Beijing Shijingshan District Step Ahead Training School	July 14, 2009	PRC	—	Language education
Beijing Changping District Step Ahead Training School	July 3, 2009	PRC	—	Language education
Beijing Chaoyang District Step Ahead Training School	July 20, 2009	PRC	—	Language education
Beijing Xicheng District RISE Immersion Subject English Training School	February 5, 2010	PRC	—	Language education
Beijing Dongcheng District RISE Immersion Subject English Training School	July 30, 2010	PRC	—	Language education
Beijing Tongzhou District RISE Immersion Subject English Training School	April 19, 2011	PRC	—	Language education
Beijing Daxing District RISE Immersion Subject English Training School	March 31, 2013	PRC	—	Language education
Beijing Fengtai District Step Ahead Training School	February 28, 2012	PRC	—	Language education
Shanghai Boyu Investment Management Co., Ltd.	January 29, 2012	PRC	—	Language education
Shanghai Riverdeep Education Information Consulting Co., Ltd.	March 8, 2010	PRC	—	Educational consulting services
Shanghai Huangpu District RISE Immersion Subject English Training School	June 17, 2011	PRC	—	Language education
Guangzhou Ruisi Education Technology Development Co., Ltd.	August 17, 2012	PRC	—	Training services
Guangzhou Yuexiu District RISE Immersion Subject English Training School	April 29, 2014	PRC	—	Language education
Guangzhou Haizhu District RISE Immersion Subject English Training School-Chigang	December 8, 2014	PRC	—	Language education

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the Company	Principal activity
Shenzhen Mei Ruisi Education Management Co., Ltd.	February 28, 2014	PRC	—	Training services
Shenzhen Futian District Rise Training Center	January 8, 2015	PRC	—	Language education
Shenzhen Nanshan District Rise Training Center	May 26, 2015	PRC	—	Language education
Wuxi Rise Foreign Language Training Co., Ltd.	June 5, 2013	PRC	—	Training services

The VIE arrangements

PRC laws and regulations currently require any foreign entity that invests in the education business in China to be an educational institution with relevant experience in providing educational services outside China. The Group's offshore holding companies are not educational institutions and do not provide educational services outside China. Accordingly, the Group's offshore holding companies are not allowed to directly engage in the education business in China. To comply with PRC laws and regulations, the Group conducts all of its junior ELT business in China through the VIEs. The VIEs hold the requisite licenses and permits necessary to conduct the Group's junior ELT business. In addition, the VIEs hold leases and other assets necessary to operate the Group's schools, employ teachers and generate substantially all of the Group's revenues. Despite the lack of technical majority ownership, the Company has effective control of the VIE through a series of contractual arrangements (the "Contractual Agreements") and a parent-subsidiary relationship exists between the Company and the VIE. The equity interests of the VIE are legally held by PRC individuals (the "Nominee Shareholders"). Through the Contractual Agreements, the nominee shareholders of the VIE effectively assign all their voting rights underlying their equity interests in the VIE to the Company, and therefore, the Company has the power to direct the activities of the VIE that most significantly impact its economic performance. The Company also has the right to receive economic benefits from the VIE that potentially could be significant to the VIE. Based on the above, the Company consolidates the VIE in accordance with SEC Regulation SX-3A-02 and ASC810-10, *Consolidation: Overall.*

The following is a summary of the Contractual Agreements:

Proxy Agreement. Pursuant to the Proxy Agreement signed between the respective Nominee Shareholders and the WFOE, the Nominee Shareholders agreed to entrust to the WFOE an irrevocable proxy to exercise all of their voting rights as shareholders of the VIE and approve on behalf of the Nominee Shareholders, all related legal documents pertinent to the exercise of their rights in their capacity as the shareholders of the VIE. The WFOE is also entitled to transfer or assign its voting rights to any other person or entity at its own discretion and without giving prior notice to the Nominee Shareholders or obtaining their consent. The Proxy Agreement remains valid for as long as at least one of the Nominee Shareholders remains a shareholder of the VIE.

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

The VIE arrangements (Continued)

Loan Agreements. Pursuant to the Loan Agreements between the respective Nominee Shareholders and the WFOE, the WFOE granted interest-free loans to the Nominee Shareholders to acquire all the equity interests from the VIE's predecessor shareholders as part of the Acquisition. The loan has a term of ten years and the WFOE has the sole discretion to extend the loan. The Nominee Shareholders are not allowed to repay the loan in advance of the maturity date without the WFOE's prior written consent. The timing of the repayment is at the sole discretion of the WFOE and the repayment shall be in the form of transferring the VIE's equity interest to the WFOE or its designees unless the Nominee Shareholders are in breach of the agreement, in which the WFOE can request immediate repayment of the loans.

Call Option Agreement. Pursuant to the Call Option Agreement entered into between the Nominee Shareholders, the VIE and the WFOE, the Nominee Shareholders granted to the WFOE or its designees (i) an exclusive option to purchase, when and to the extent permitted under PRC laws, all or part of all equity interests in the VIE and (ii) an exclusive right to cause the Nominee Shareholders to transfer their equity interest in the VIE to the WFOE or any designated party. The WFOE has the sole discretion when to exercise the option, whether in part or full. The exercise price of the option to purchase all or part of the equity interests in the VIE will be the minimum amount of consideration permitted by the applicable PRC laws. Any proceeds received by the Nominee Shareholders from the exercise of the option exceeding the loan amount, distribution of profits or dividends, shall be remitted to the WFOE, to the extent permitted under PRC laws. The Call Option Agreement will remain in effect until all the equity interests held by the VIE are transferred to the WFOE or its designated party. The WFOE may terminate the Call Option Agreement at their sole discretion, whereas under no circumstances may the VIE or its Nominee Shareholders terminate in accordance with the agreement.

Business Cooperation Agreement. Pursuant to the Business Cooperation Agreement entered into among the WFOE, the VIE and the Nominee Shareholders, the VIE and Nominee Shareholders must appoint candidates designated by the WFOE as the VIE's board of directors and senior executives of the VIEs. In addition, without the prior written consent of WFOE, the VIE and Nominee Shareholders cannot carry out the following activities: (i) increase or decrease the registered capital of the VIEs; (ii) sell or dispose any assets or rights except in the ordinary course of business; (iii) open any new school; (iv) appoint or remove any management director, supervisor or senior executive; (v) enter into any transaction with its shareholders, directors or senior management; (vi) distribute any profits or other payments to its shareholders; (vii) amend its articles of association; (viii) provide any loans to any third parties; (ix) provide security or any other guarantee, (x) pledge or other rights and interests on any of its assets to third parties; or (xi) engage in any transaction that may materially affect their assets, obligations, rights or operations. The agreement has an initial term of ten years, which will be automatically extended for a successive ten year term upon expiration. Neither the VIE nor the Nominee Shareholders may unilaterally terminate this agreement. In June 2017, the agreement was supplemented such that the WFOE has the right to determine and adjust any service fees charged to the VIE at its sole discretion, effective from January 1, 2014.

Equity Pledge Agreement. Pursuant to the Equity Pledge Agreement entered into among the WFOE, the Nominee Shareholders and the VIE, the Nominee Shareholders pledged all of their equity interests in the VIE to the WFOE as collateral to secure their obligations under the above agreements. The Nominee Shareholders further undertake that they will remit any distributions in connection with such shareholder's equity interests in the VIE to the WFOE, to the extent permitted by PRC laws. If the VIE or any of its Nominee Shareholders

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)**

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

The VIE arrangements (Continued)

breach any of their respective contractual obligations under the above agreements, the WFOE, as the pledgee, will be entitled to certain rights, including the right to sell, transfer or dispose of the pledged equity interest. The Nominee Shareholders of the VIE agree not to create any encumbrance on or otherwise transfer or dispose of their respective equity interest in the VIE, without the prior consent of the WFOE. The Equity Pledge Agreement will be valid until the VIE and their respective shareholders fulfill all the contractual obligations under the above agreements in full and the pledged equity interests have been transferred to the WFOE and/or its designees.

Consulting Services Agreements. Rise HK has entered into Consulting Services Agreements with the WFOE and the VIE, respectively, under which Rise HK provides certain technical and business support services. In return, the WFOE and the VIE agree to pay service fees to Rise HK. The initial term of these agreements is five years, which can be automatically renewed for another five years, unless one party notifies the other party in writing of its intention not to renew within 30 days of expiration.

Service agreement. Pursuant to the Service Agreement, WFOE provides certain services to the VIE, including design of teaching plans, courseware development services and licensed use of the WFOE's business management system. In return, the VIE agrees to pay service fees to the WFOE. The initial term of the agreement is five years, which can be automatically renewed for another five years, unless terminated through mutual agreement of the parties. Neither the VIE nor the Nominee Shareholders may unilaterally terminate the agreement.

Comprehensive Services Agreements. Pursuant to Comprehensive Services Agreements entered into between the WFOE and each of the schools, the WFOE provides certain services to the schools, including design of teaching plans, courseware development services, licensed use of the WFOE's business management system and marketing and operating support services. In return, the schools agreed to pay service fees to WFOE as stipulated in the respective agreements. The initial term of each of these agreements is five years, which can be automatically renewed for another five years, unless terminated through mutual agreement of the parties.

License Agreements. Pursuant to the License Agreements entered into by the WFOE and the schools, the WFOE has licensed trademarks, courseware and other materials for their use in the PRC for an initial term of five years, which will be automatically extended for a successive five years upon expiration. The schools are required to pay royalties to the WFOE, which may be adjusted at the WFOE's sole discretion.

Spousal Consent Letters. Pursuant to the executed spousal consent letters, the spouses of the Nominee Shareholders of the VIE acknowledged that certain equity interests in the VIE held by and registered in the name of his or her spouse will be disposed pursuant to relevant arrangements under the Proxy Agreement, the Loan Agreement, the Call Option Agreement and the Equity Pledge Agreement. These spouses undertake not to take any action to interfere with the disposition of such equity interests, including, without limitation, claiming that such equity interests constitute communal marital property.

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)**

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

The VIE arrangements (Continued)

In November 2016, certain Contractual Agreements were supplemented to reflect a change in one of the Nominee Shareholders designated by Rise HK, and it was resolved that Rise HK through the WFOE held the irrevocable proxy to exercise all the voting rights of the shareholders of the VIE since the Proxy Agreement was in existence. As a result, Rise HK has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and is the primary beneficiary of the VIE.

In June 2017, certain Contractual Arrangements were supplemented to reflect a change in one of the Nominee Shareholders designated by Rise HK.

Based on the opinion of the Company's PRC legal counsel, (i) the ownership structure of the Group, including its subsidiaries in the PRC and VIEs are in compliance with all existing PRC laws and regulations; and (ii) each of the Contractual Agreements among Rise HK, the WFOE, the VIEs and the Nominee Shareholders governed by PRC laws, are legal, valid and binding, enforceable against such parties, and will not result in any violation of PRC laws or regulations currently in effect.

However, uncertainties in the PRC legal system could cause the relevant regulatory authorities to find the current Contractual Agreements and businesses to be in violation of any existing or future PRC laws or regulations. If the Company, Rise HK, the WFOE or any of its current or future VIEs 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 PRC regulatory authorities would have broad discretion in dealing with such violations, which may include, but not limited to, revocation of business and operating licenses, being required to discontinue or restrict its business operations, restriction of the Group's right to collect revenues, being required to restructure its operations, imposition of additional conditions or requirements with which the Group may not be able to comply, or other regulatory or enforcement actions against the Group that could be harmful to its business. The imposition of any of these or other penalties may result in a material and adverse effect on the Group's ability to conduct its business. In addition, if the imposition of any of these penalties causes the Company to lose the rights to direct the activities of the VIEs or the right to receive their economic benefits, the Company would no longer be able to consolidate the VIEs.

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

The following financial statement balances and amounts of the VIEs were included in the accompanying consolidated financial statements:

	As at December 31,		
	2015	2016	2016
	RMB	RMB	US$
Cash and cash equivalents	414,800	437,594	64,549
Restricted cash	4,712	5,609	827
Short-term investments	1,033	—	—
Inventories	465	1,605	237
Prepayments and other current assets	21,699	38,297	5,649
Amounts due from the Group's subsidiaries	46,824	63,897	9,425
Total current assets	489,533	547,002	80,687
Property and equipment, net	65,925	67,601	9,972
Intangible assets, net	23,033	1,740	257
Goodwill	145,781	145,781	21,504
Deferred tax assets	374	4,087	602
Other non-current assets	20,471	23,564	3,476
Total non-current assets	255,584	242,773	35,811
Total assets	745,117	789,775	116,498
Accounts payable	135	1,484	219
Accrued expenses and other liabilities	53,421	76,418	11,272
Deferred revenue and customer advances	479,079	581,215	85,734
Income taxes payable	972	1,329	196
Amounts due to the Group's subsidiaries	104,192	49,007	7,229
Total current liabilities	637,799	709,453	104,650
Deferred tax liabilities	4,120	2,527	373
Other non-current liabilities	2,390	1,744	257
Total non-current liabilities	6,510	4,271	630
Total liabilities	644,309	713,724	105,280

	For the Years ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
Revenues	394,099	503,256	673,264	99,312
Net loss	(96,250)	(51,138)	(24,532)	(3,619)
Net cash provided by operating activities	35,089	99,499	49,586	7,314
Net cash used in investing activities	(48,243)	(34,116)	(26,792)	(3,952)

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)**

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

The revenue-producing assets that are held by the VIEs comprise of property and equipment, student base and franchise agreements. The VIEs contributed an aggregate of 97%, 95% and 95% of the consolidated revenues for the years ended December 31, 2014, 2015 and 2016, respectively, after elimination of inter-company transactions.

As of December 31, 2016, there was no pledge or collateralization of the VIEs' assets that can only be used to settle obligations of the VIEs. Other than the amounts due to subsidiaries of the Group (which are eliminated upon consolidation), all remaining liabilities of the VIEs are without recourse to the Company. The Company did not provide nor intend to provide financial or other support not previously contractually required to the VIEs during the years presented.

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of its net assets, equivalent to the balance of its paid-in capital and statutory reserves, to the Company in the form of loans and advances or cash dividends. Please refer to Note 13 for disclosure of restricted net assets.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP").

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the VIEs. All significant inter-company transactions and balances between the Company, its subsidiaries and the VIEs have been eliminated upon consolidation. Results of subsidiaries, businesses acquired from third parties and the VIEs are consolidated from the date on which control is obtained by the Company.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements include valuation allowance for deferred tax assets, uncertain tax positions, economic lives and impairment of long-lived assets, impairment of goodwill, estimating the best estimate of selling price for each deliverable in the Group's revenue arrangements, and share-based compensation. Actual results could differ from those estimates.

Convenience translation

Amounts in U.S. dollars are presented for the convenience of the reader and are translated at the noon buying rate of RMB6.7793 per US$1.00 on June 30, 2017 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency

The functional currency of the Company and its non-PRC subsidiaries is the United States Dollars ("US$"). The Company's PRC subsidiaries and the VIEs determined their functional currency to be Renminbi (the "RMB"). The Group uses the RMB as its reporting currency.

Each entity in the Group maintains its financial records in its own functional currency. Transactions denominated in foreign currencies are measured at the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are remeasured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are remeasured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of (loss)/income.

The Company uses the 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 (loss)/income, a component of shareholders' equity.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and highly liquid investments which are unrestricted as to withdrawal or use, and which have original maturities of three months or less when purchased.

Restricted cash

Restricted cash primarily represents deposits held in a designated bank account as security for the interest payments on the Group's long-term loan; and deposits restricted as to withdrawal or use under government regulations.

Short-term investments

The Group's short-term investments comprise primarily of cash deposits at floating rates based on daily bank deposit rates with original maturities ranging from over three months to six months.

Inventories

Inventories are finished goods and mainly comprised of textbooks and other educational study tools ("course materials"). Course materials are stated at the lower of cost or market. Cost is determined using the weighted average cost method. As of December 31, 2015 and 2016, the Group did not have any provision for inventories.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment. Depreciation is calculated on a straight line basis over the following estimated useful lives:

Electronic equipment	3 years
Furniture	5 years
Vehicles	4 years
Leasehold improvements	Shorter of the lease term or estimated useful life

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment (Continued)

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 with any resulting gain or loss reflected in the consolidated statements of (loss)/income.

Direct costs that are related to the construction of property and equipment, and incurred in connection with bringing the assets to their intended use are capitalized as construction in progress. Construction in progress is transferred to specific property and equipment, and the depreciation of these assets commences when the assets are ready for their intended use. As of December 31, 2015 and 2016, the balances of construction in progress were RMB682 and nil, respectively, which were related to the construction of leasehold improvements for the Group's schools.

Segment reporting

In accordance with ASC 280, *Segment Reporting*, operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM"), or decision making group, in deciding how to allocate resources and in assessing performance. The Group has only one reportable segment since the Group does not distinguish revenues, costs and expenses by operating segments in its internal reporting, and reports costs and expenses by nature as a whole. The Group's CODM, who has been identified as the Board of Directors, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole. The Group does not distinguish among markets or segments for the purpose of internal reports. All of the Group's revenues for the years ended December 31, 2014, 2015 and 2016 were generated from the PRC. As of December 31, 2015 and 2016, a majority of the long-lived assets of the Group are located in the PRC, and therefore, no geographical segments are presented.

Non-controlling interests

For certain subsidiaries of the VIE, a non-controlling interest is recognized to reflect the portion of their equity which is not attributable, directly or indirectly, to the Group. Consolidated net (loss)/income on the consolidated statements of (loss)/income includes the net loss attributable to non-controlling interests. The cumulative results of operations attributable to non-controlling interests are recorded as non-controlling interests in the Group's consolidated balance sheets.

Goodwill

The Group assesses goodwill for impairment in accordance with ASC 350-20, *Intangibles—Goodwill and Other: Goodwill* ("ASC 350-20"), which requires that goodwill be tested for impairment at the reporting unit level at least annually and more frequently upon the occurrence of certain events, as defined by ASC 350-20.

There was only one reporting unit (that also represented the operating segment) as of December 31, 2015 and 2016, respectively. Goodwill was allocated to the one reporting unit as of December 31, 2015 and 2016,

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

respectively (Note 8). The Group has the option to assess qualitative factors first to determine whether it is necessary to perform the two-step test in accordance with ASC 350-20. If the Group believes, as a result of the qualitative assessment, that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amount, the two-step quantitative impairment test described above is required. Otherwise, no further testing is required. In the qualitative assessment, the Group considers primary factors such as industry and market considerations, overall financial performance of the reporting unit, and other specific information related to the operations.

In performing the two-step quantitative impairment test, the first step compares the carrying amount of the reporting unit to the fair value of the reporting unit based on either quoted market prices of the ordinary shares or estimated fair value using a combination of the income approach and the market approach. If the fair value of the reporting unit exceeds the carrying value of the reporting unit, goodwill is not impaired and the Group is not required to perform further testing. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, then the Group must perform the second step of the impairment test in order to determine the implied fair value of the reporting unit's goodwill. The fair value of the reporting unit is allocated to its assets and liabilities in a manner similar to a purchase price allocation in order to determine the implied fair value of the reporting unit goodwill. If the carrying amount of the goodwill is greater than its implied fair value, the excess is recognized as an impairment loss.

Intangible assets

Intangible assets with finite lives are carried at cost less accumulated amortization. Amortization of finite-lived intangible assets except for student base is computed using the straight-line method over the estimated useful lives. Student base is amortized using an accelerated pattern based on the estimated student attrition rate of the acquired schools. The estimated useful lives of intangible assets from the date of purchase are as follows:

Category	Estimated Useful Life
Courseware license	15 years
Franchise agreements	2.5 years
Student base	3-5 years
Trademarks	15 years
Purchased software	3-5 years
Teaching course materials	10 years

Impairment of long-lived assets other than goodwill

The Group evaluates its long-lived assets, including fixed assets and intangible assets 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 may not be fully recoverable. When these events occur, the Group evaluates the recoverability of long-lived assets by comparing the carrying amount of the assets to the 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 Group recognizes an impairment loss based on the excess of the carrying

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of long-lived assets other than goodwill (Continued)

amount of the assets over their fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available. For all periods presented, there was no impairment of any of the Company's long-lived assets.

Fair value of financial instruments

Financial instruments include cash and cash equivalents, short-term investments, restricted cash, certain other current assets, accounts payable, long-term loan, customer advances, and certain other current liabilities. The carrying amounts of these financial instruments, except for the long-term loan, approximate their fair values because of their short-term maturities. The carrying amount of the long-term loan approximates its fair value due to the fact that the related interest rate approximates the interest rates currently offered by financial institutions for similar debt instruments of comparable maturities.

Revenue recognition

Revenue is recognized when persuasive evidence of an arrangement exists, delivery of the product or service has occurred, the selling price is fixed or determinable and collection is reasonably assured. The Group's business is subject to business tax, value added taxes ("VAT") and tax surcharges assessed by governmental authorities. Pursuant to ASC 605-45, *Revenue Recognition—Principal Agent Considerations*, the Group elected to present business tax, VAT and tax surcharges as a reduction of revenues on the consolidated statements of (loss)/income. Payments received before all of the relevant criteria for revenue recognition are satisfied are included in "deferred revenue and customer advances".

The primary sources of the Group's revenues are as follows:

(a) Educational programs

Educational programs include English courses and related course materials. In accordance with ASC subtopic 605-25, *Revenue Recognition: Multiple-Deliverable Revenue Arrangements* ("ASC 605-25"), the Group evaluates all the deliverables in the arrangement to determine whether they represent separate units of accounting. For the arrangements with deliverables to be considered a separate unit of accounting, the Group allocates the total consideration of the arrangement based on their relative selling price, with the selling price of each deliverable determined using vendor-specific objective evidence of selling price, or VSOE, third-party evidence or TPE of selling price, or management's best estimate of the selling price, or BESP, and recognizes revenue as each deliverable is provided. In determining its BESP for each deliverable, the Group considered its overall pricing model and objectives, as well as market or competitive conditions that may impact the price at which the Group would transact if the deliverable were sold regularly on a standalone basis. The Group monitors the conditions that affect its determination of selling price for each deliverable and reassesses such estimates periodically.

Course fees are collected in full in advance of the commencement of each course and each course comprises of a fixed amount of classes. Course revenue is recognized ratably as the classes for the related course are delivered to the students. Students are allowed to return course materials if they are unused. However, once the student attends the first class of the respective course, course materials cannot be returned. Therefore, the Group recognizes revenue from the sale of course materials when the student attends the first class of the respective course. The amounts recognized for each deliverable is limited to the amount that is not contingent upon the delivery of additional deliverables or meeting other specified performance conditions.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(a) Educational programs (Continued)

According to local education bureau regulations, depending on a school's location and the amount of classes remaining for a course, the Group may be required to refund course fees for any remaining undelivered classes to students who withdraw from a course. The refund is recorded as a reduction of the related course fees received in advance and has no impact on recognized revenue. Refunds on recognized revenue were insignificant for all periods presented.

The Group may issue promotional coupons to attract enrollment for its courses. The promotional coupons are not issued in conjunction with a concurrent revenue transaction and are for a fixed RMB amount that can only be redeemed to reduce the amount of the tuition fees for future courses. The promotional coupons are accounted for as a reduction of revenue when the corresponding revenue is recognized in accordance with ASC 605-50-45-2.

(b) Franchise revenues

Franchise revenues includes non-refundable initial franchise fees, which are recognized by the Group as revenue when substantially all services or conditions relating to the initial franchise fee have been performed, which is generally when a franchisee commences its operations under the RISE brand. The services to be performed under the franchise agreements to earn the initial franchise fees comprise of (i) authorizing franchisees to use the RISE brand and the Group's courseware, and (ii) initial setup services, including assisting with site selection and marketing strategy, training of franchisee management and teachers. The Group's franchise agreements do not include guarantees or other forms of financial assistance, refund provisions or options to repurchase franchises from franchisees. Initial franchise fees are deferred and recorded as "deferred revenue and customer advances" until these commitments and obligations have been performed, which is upon the franchisee commencing its operations under the RISE brand. The Group also receives recurring franchise fees from its franchisees, which include a fixed percentage of the franchisees' course fees and proceeds from the sale of related course materials. The recurring franchise fees are recognized as franchise revenue as the fees are earned and realized.

(c) Other revenues

Other revenues comprises mainly of the provision of overseas study tours. The Group bears the risks and rewards, including customer acceptance of the services and has the right to unilaterally determine and change the study tour itinerary. The Group also sets the study tour prices charged to customers and independently selects travel service suppliers. Therefore, the Group is the primary obligor of the study tour service arrangement and recognizes revenue on a gross basis. Revenue from study tour services is recognized once the organized tour is completed in its entirety.

Advertising expenditures

Advertising costs are expensed when incurred and are included in selling expenses in the consolidated statements of (loss)/income. For the years ended December 31, 2014, 2015 and 2016, advertising expenses were approximately RMB32,982, RMB39,397 and RMB63,734 (US$9,401), respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 on a straight-line basis over their respective lease term. The Group leases certain office facilities under non-cancelable operating leases. Certain lease agreements contain rent holidays. Rent holidays are considered in determining the straight-line rent expense to be recorded over the lease term.

(Loss)/income per share

In accordance with ASC 260, *Earnings Per Share*, basic (loss)/income per share is computed by dividing net (loss)/income attributable to the Company by the weighted average number of ordinary shares outstanding during the period. Diluted (loss)/income per share is calculated by dividing net (loss)/income attributable to the Company as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Share options with market conditions, performance conditions, or any combination thereof, are considered contingently issuable shares and are included in the computation of diluted (loss)/income per share to the extent that market and performance conditions are met such that the share options are exercisable at the end of the reporting period, assuming it was the end of the contingency period. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the share options, using the treasury stock method. Ordinary equivalent shares are excluded from the computation of diluted per share if their effects would be anti-dilutive.

Share-based compensation

The Group applies ASC 718, *Compensation — Stock Compensation* ("ASC 718"), to account for its employee share-based payments. In accordance with ASC 718, the Group determines whether an award should be classified and accounted for as a liability award or an equity award. All the Group's share-based awards to employees were classified as equity awards.

In accordance with ASC 718, the Group recognizes share-based compensation cost for equity awards to employees with a performance condition based on the probable outcome of that performance condition — compensation cost is recognized if it is probable that the performance condition will be achieved and shall not be recognized if it is not probable that the performance condition will be achieved.

In accordance with ASC 718, the effect of a market condition is reflected in the grant-date fair value of the granted equity awards. The Group recognizes share-based compensation cost for equity awards with a market condition provided that the requisite service is rendered, regardless of when, if ever, the market condition is satisfied.

A change in any of the terms or conditions of the awards is accounted for as a modification of the award. When the vesting conditions (or other terms) of the equity awards granted to employees are modified, the Group

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based compensation (Continued)

first determines on the modification date whether the original vesting conditions were expected to be satisfied, regardless of the entity's policy election for accounting for forfeitures. If the original vesting conditions are not expected to be satisfied, the grant-date fair value of the original equity awards are ignored and the fair value of the equity award measured at the modification date is recognized if the modified award ultimately vests.

The Group uses the accelerated method for all awards granted with graded vesting service conditions, and the straight-line method for awards granted with non-graded vesting service conditions. The Group early adopted Accounting Standard Update ("ASU") ASU 2016-09—*Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* on January 1, 2014 and elected to account for forfeitures as they occur. The adoption of this guidance had no impact as no share-based compensation expense was recognized during the periods presented. The Group, with the assistance of an independent third party valuation firm, determined the fair value of the stock options granted to employees. The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees.

Income taxes

The Group follows the liability method of accounting for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more-likely-than-not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in tax expense in the period that includes the enactment date of the change in tax rate.

The Group accounted for uncertainties in income taxes in accordance with ASC 740. Interest and penalties arising from underpayment of income taxes shall be 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 (loss)/income as income tax expense.

In accordance with the provisions of ASC 740, the Group recognizes in its consolidated 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 Group's estimated liability for unrecognized tax benefits which is included in "other non-current liabilities" on the consolidated balance sheets 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 statute of limitations. The actual benefits ultimately realized may differ from the Group's estimates. As each audit is concluded, adjustments, if any, are recorded in the Group's consolidated financial statements. Additionally, in future periods, changes in facts, circumstances, and new

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income taxes (Continued)

information may require the Group 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.

Government subsidies

Government subsidies primarily consist of financial subsidies received from local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the local governments. 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. Government subsidies of non-operating nature and with no further conditions to be met are recorded as non-operating income in "Other income, net" of the consolidated statements of (loss)/income when received.

Comprehensive (loss)/income

Comprehensive (loss)/income is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220, *Comprehensive Income*, requires that all items that are required to be recognized under current accounting standards as components of comprehensive (loss)/income be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Group's comprehensive (loss)/income includes net (loss)/income and foreign currency translation adjustments, and is presented in the consolidated statements of comprehensive (loss)/income.

Employee benefit expenses

All eligible employees of the Group are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the qualified employees' salaries. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed. The Group has no further payment obligations once the contributions have been paid. The Group recorded employee benefit expenses of RMB36,048, RMB46,933 and RMB52,734 (US$7,779) for the years ended December 31, 2014, 2015 and 2016, respectively.

Recent accounting pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-14, *Revenue from Contracts with Customers-Deferral* of the effective date ("ASU 2015-14"). The amendments in ASU 2015-14 defer the effective date of ASU No. 2014-09, *Revenue from Contracts with*

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

Customers, ("ASU 2014-09"), issued in May 2014. According to the amendments in ASU 2015-14, the new revenue guidance ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers—Principal versus Agent Considerations* ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers—Identifying Performance Obligations and Licensing* ("ASU 2016-10"), which clarify guidance related to identifying performance obligations and licensing implementation guidance contained in ASU No. 2014-09. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers—Narrow-Scope Improvements and Practical Expedients* ("ASU 2016-12"), which addresses narrow-scope improvements to the guidance on collectability, non-cash consideration, and completed contracts at transition and provides practical expedients for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The effective date for the amendment in ASU 2016-08, ASU 2016-10 and ASU 2016-12 are the same as the effective date of ASU No. 2014-09. The Group is currently evaluating the available adoption methods and in the process of evaluating its revenue arrangements to determine the impact of the adoption of these ASUs on its consolidated financial statements, if any.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). ASU 2016-02 modifies existing guidance for off-balance sheet treatment of a lessees' operating leases by requiring lessees to recognize lease assets and lease liabilities. Under ASU 2016-02, lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Group is evaluating this guidance and the impact to the Group, as both lessor and lessee, on the consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, *Investments—Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting* ("ASU 2016-07"). ASU 2016-07 eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. ASU 2016-07 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The adoption of ASU 2016-07 on January 1, 2017 is not expected to have a material effect on the Group's consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230), *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, *Statement of Cash Flows*, ("ASC 230") including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. In addition, in November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), *Restricted Cash* ("ASU 2016-18"). ASU 2016-18 clarifies certain existing principles in ASC 230, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

that directly affect the restricted cash accounts. These ASUs will be effective for the Group's fiscal year beginning January 1, 2018 and subsequent interim periods. Early adoption is permitted. The adoption of ASU 2016-15 and ASU 2016-18 will modify the Group's current disclosures and classifications within the consolidated statement of cash flows but they are not expected to have a material effect on the Group's consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): *Intra-Entity Transfers of Assets Other Than Inventory*. Under the new standard, the selling (transferring) entity is required to recognize a current tax expense or benefit upon transfer of the asset. Similarly, the purchasing (receiving) entity is required to recognize a deferred tax asset or liability, as well as the related deferred tax benefit or expense, upon purchase or receipt of the asset. This pronouncement is effective for reporting periods beginning after December 15, 2017, with early adoption permitted. The Group is still evaluating the effect that this guidance will have on the consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying Definition of a Business* ("ASU 2017-01"). ASU 2017-01 clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for transactions that have not been reported in previously issued (or available to be issued) financial statements. The Group does not believe this standard will have a material impact on the results of operations or financial condition.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step two to measure the impairment loss. The guidance is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted for all entities for annual and interim goodwill impairment testing dates on or after January 1, 2017. The guidance should be applied on a prospective basis. The Group is still evaluating the effect that this guidance will have on the consolidated financial statements and related disclosures.

3. CONCENTRATION OF RISKS

Business, customer, political, social and economic risks

The Group participates in a dynamic industry and believes that changes in any of the following areas could have a material adverse effect on the Group's future financial position, results of operations or cash flows: changes in the overall demand for services; competitive pressures due to new entrants; advances and new trends

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3. CONCENTRATION OF RISKS (Continued)

Business, customer, political, social and economic risks (Continued)

in new technologies and industry standards; changes in certain strategic relationships or customer relationships; regulatory considerations; and risks associated with the Group's ability to attract and retain employees necessary to support its growth. The Group's operations could be also adversely affected by significant political, economic and social uncertainties in the PRC. No single customer or supplier accounted for more than 10% of revenue or costs of revenues for the years ended December 31, 2014, 2015 and 2016.

Concentration of credit risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents, short-term investments, and restricted cash. As of December 31, 2016, substantially all of the Group's cash and cash equivalents, short-term investments and restricted cash were deposited with financial institutions with high-credit ratings and quality.

Interest rate risk

The Group is exposed to interest rate risk related to its outstanding long-term loan (Note 10). The interest rate of the long-term loan was mainly based on the three month London Interbank Offered Rate and a pre-determined margin. A hypothetical 1% increase or decrease in annual interest rates would increase or decrease interest expense by approximately RMB1,151 (US$170) per year based on the Group's debt level at December 31, 2016.

Foreign currency exchange rate risk

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For RMB against U.S. dollar, there was depreciation of approximately 0.4%, 5.8% and 6.4% during the years ended December 31, 2014, 2015 and 2016. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that the Company needs to convert U.S. dollar into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against U.S. dollar would have an adverse effect on the RMB amount the Company would receive from the conversion. Conversely, if the Company decides to convert RMB into U.S. dollar for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to the Company. In addition, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of the Company's earnings or losses.

Currency convertibility risk

The Group 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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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3. CONCENTRATION OF RISKS (Continued)

Currency convertibility risk (Continued)

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. 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. The Group's cash and cash equivalents, and restricted cash denominated in RMB amounted to RMB583,844 (US$86,122) as of December 31, 2016.

4. REVENUES

	For the year ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
Educational programs	349,398	451,411	618,326	91,208
Franchise revenues[a]	52,063	60,793	63,532	9,371
Others	5,244	17,265	29,135	4,298
	406,705	529,469	710,993	104,877

(a) Initial franchise fees amounted to RMB9,953, RMB16,518, and RMB15,566 (US$2,296), and recurring franchise fees amounted to RMB42,110, RMB44,275, and RMB47,966 (US$7,075) for the years ended December 31, 2014, 2015 and 2016, respectively.

5. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As at December 31,		
	2015	2016	2016
	RMB	RMB	US$
Prepayments to suppliers	4,515	16,414	2,421
Prepaid rental expense	10,345	10,735	1,583
Staff advances	1,225	1,684	248
Deposits	7,205	7,625	1,125
Prepaid business tax, VAT and other surcharges	50	8,083	1,193
Other receivables	740	976	144
	24,080	45,517	6,714

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

6. PROPERTY AND EQUIPMENT, NET

	As at December 31,		
	2015	2016	2016
	RMB	RMB	US$
Electronic equipment	30,902	35,464	5,231
Furniture	6,266	7,350	1,084
Vehicles	1,596	1,168	172
Leasehold improvements	113,760	141,253	20,836
	152,524	185,235	27,323
Less: accumulated depreciation	81,664	109,562	16,161
Property and equipment, net	70,860	75,673	11,162

Depreciation expense for the years ended December 31, 2014, 2015 and 2016 was RMB22,218, RMB26,128 and RMB29,634 (US$4,371), respectively

7. INTANGIBLE ASSETS, NET

The Group's intangible assets were all acquired and consisted of the following:

	As at December 31,		
	2015	2016	2016
	RMB	RMB	US$
Costs:			
Courseware license	199,203	213,509	31,494
Franchise agreements	60,800	60,800	8,968
Student base	91,960	91,960	13,565
Trademarks	45,175	48,419	7,142
Purchased software	9,723	14,101	2,081
Teaching course materials	7,987	10,786	1,591
	414,848	439,575	64,841
Accumulated amortization:			
Courseware license	(29,881)	(46,261)	(6,824)
Franchise agreements	(54,940)	(60,800)	(8,968)
Student base	(75,568)	(90,916)	(13,411)
Trademarks	(6,776)	(10,490)	(1,547)
Purchased software	(1,643)	(3,041)	(449)
Teaching course materials	(1,242)	(2,116)	(312)
	(170,050)	(213,624)	(31,511)
Net carrying amount	244,798	225,951	33,330

The Group recorded amortization expense of RMB78,104, RMB65,379 and RMB40,188 (US$5,928) for the years ended December 31, 2014, 2015 and 2016, respectively.

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7. INTANGIBLE ASSETS, NET (Continued)

As of December 31, 2016, estimated amortization expense of the existing intangible assets for each of the next five years is RMB19,447, RMB19,358, RMB18,804, RMB18,804 and RMB18,804, respectively.

8. GOODWILL

Balance as of January 1, 2015	434,268
Goodwill acquired	—
Impairment losses	—
Foreign exchange effect	10,144
Balance as of December 31, 2015	444,412
Goodwill acquired	—
Impairment losses	—
Foreign exchange effect	17,274
Balance as of December 31, 2016	461,686
Balance as of December 31, 2016 (US$)	68,102

The Group's goodwill is mainly attributable to the Acquisition in 2013. Goodwill is not tax deductible.

For the year ended December 31, 2014, the Group performed a quantitative assessment for its reporting unit by estimating the fair value of the reporting unit based on an income approach. The fair value of the reporting unit exceeded its respective carrying value and therefore, goodwill related to the reporting unit was not impaired. For the years ended December 31, 2015 and 2016, respectively, the Group performed a qualitative assessment based on the requirements of ASC 350-20. The Group evaluated all relevant factors, weighed all factors in their entirety and concluded that it was not more-likely-than-not that the fair value of the reporting unit was less than its respective carrying amount. Therefore, further impairment testing on goodwill was unnecessary as of December 31, 2015 and 2016, respectively.

9. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	As at December 31,		
	2015	2016	2016
	RMB	RMB	US$
Payroll and welfare payable	39,473	47,221	6,965
Business tax, VAT and surcharges payable	4,288	2,205	325
Interest payable	—	897	132
Accrued expenses	21,470	35,758	5,275
Accrual for purchase of property and equipment	4,660	7,292	1,076
Others	3,281	2,785	411
	73,172	96,158	14,184

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
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10. LONG-TERM LOAN

In July 2016, the Company entered into a loan facility agreement, pursuant to which the Company is entitled to draw down up to US$55,000. The maturity date of the loan facility is five years from the drawdown date. The arrangement fee of US$1,705 (equivalent to RMB11,559) incurred for the loan facilities was offset against loan liability and accounted for under the effective interest rate method. As of December 31, 2016, the Group has drawn down the facility in full and no principal was repaid. The amount repayable within twelve months was reclassified to current liabilities. The interest rate for the outstanding loan as of December 31, 2016, was approximately 4.35%.

Management assessed no breach of its loan covenants for the year ended December 31, 2016. The loan facility is guaranteed by Rise IP, Rise HK, the WFOE and VIE. Further, the ordinary shares of certain subsidiaries of the Group were pledged as collateral for the loan facility. In addition, the Group maintained deposits held in a designated bank account as security for interest payments amounting to US$1,596 (equivalent to RMB10,820) as of December 31, 2016.

As of December 31, 2016, the loan principal will be due according to the following schedule:

	US$
September 11, 2017	5,500
September 11, 2018	8,250
September 11, 2019	11,000
September 11, 2020	13,750
September 11, 2021	16,500
	55,000

11. INCOME TAXES

Cayman Islands

Under the current laws of the Cayman Islands, the Company and its Cayman subsidiaries are not subject to tax on income or capital gain arising in Cayman Islands. Additionally, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax will be imposed.

Hong Kong

Rise HK is incorporated in Hong Kong and subject to Hong Kong profits tax rate of 16.5%.

PRC

The Company's subsidiaries and VIEs in the PRC are subject to the statutory rate of 25%, in accordance with the Enterprise Income Tax law (the "EIT Law"), which was effective since January 1, 2008.

Dividends, interests, rent or royalties payable by the Group's PRC subsidiaries, to non-PRC resident enterprises, and proceeds from any such non-resident enterprise investor's disposition of assets (after deducting the net value of such assets) shall be subject to 10% EIT, namely withholding tax, unless the respective non-PRC

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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11. INCOME TAXES (Continued)

PRC (Continued)

resident enterprise's jurisdiction of incorporation has a tax treaty or arrangements with China that provides for a reduced withholding tax rate or an exemption from withholding tax.

(Loss)/ income before income taxes consists of:

	For the year ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
PRC	(109,344)	(63,513)	43,995	6,490
Non-PRC	30,990	30,653	39,050	5,760
	(78,354)	(32,860)	83,045	12,250

The current and deferred portions of income tax benefit/(expense) included in the consolidated statements of (loss)/income are as follows:

	For the year ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
Current income tax expense	(16,645)	(10,878)	(36,965)	(5,453)
Deferred income tax benefit	22,330	11,997	4,763	703
Income tax benefit/(expense)	5,685	1,119	(32,202)	(4,750)

The reconciliation of the income tax expense for the years ended December 31, 2014, 2015 and 2016 is as follows:

	For the year ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
(Loss)/income before income tax	(78,354)	(32,860)	83,045	12,250
Income tax benefit/(expense) computed at the PRC statutory tax rate of 25%	19,589	8,215	(20,761)	(3,062)
Effect of different tax rates in different jurisdictions	4,166	4,557	5,688	839
Non-deductible expenses	(2,768)	(2,352)	(9,051)	(1,335)
Outside basis difference on investment in WFOE	—	—	(3,174)	(468)
PRC royalty withholding tax	(5,322)	(4,177)	(4,607)	(680)
Changes in valuation allowance	(9,980)	(5,124)	(297)	(44)
Income tax benefit/(expense)	5,685	1,119	(32,202)	(4,750)

The Group early adopted ASU 2015-17, *Income Taxes-Balance Sheet Classification of Deferred Taxes* on January 1, 2015, and classified all deferred tax assets and liabilities as noncurrent as of December 31, 2015 and

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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11. INCOME TAXES (Continued)

2016. The significant components of the Group's deferred tax assets and liabilities during the year ended December 31, 2015 and 2016 are as follows:

	For the year ended December 31,		
	2015	2016	2016
	RMB	RMB	US$
Deferred tax assets:			
Tax loss carry forward	28,394	32,601	4,809
Accrued expenses	1,734	4,590	677
Others	643	1,422	210
Less: Valuation allowance	(25,532)	(25,491)	(3,760)
	5,239	13,122	1,936
Deferred tax liabilities:			
Long-lived assets arising from acquisitions	5,140	—	—
Outside basis difference on investment in WFOE	—	3,174	468
Revenue recognition	3,845	8,931	1,318
	8,985	12,105	1,786
Presentation in the consolidated balance sheets:			
Deferred tax assets	374	4,087	603
Deferred tax liabilities	(4,120)	(3,070)	(453)
Net deferred tax (liabilities)/assets	(3,746)	1,017	150

The Group operates through several subsidiaries and the VIEs and the valuation allowance is considered for each of the subsidiaries and the VIEs on an individual basis. The Group recorded a valuation allowance against deferred tax assets of those subsidiaries and the VIEs that are in a cumulative loss as of December 31, 2015 and 2016. In making such determination, the Group evaluates a variety of factors including the Group's operating history, accumulated deficit, existence of taxable temporary differences and reversal periods.

As of December 31, 2015, the Group's WFOE and the VIEs was in an accumulated deficit position. As of December 31, 2016, the Group had undistributed earnings from the WFOE of approximately RMB31,736 (US$4,681) and the Company accrued deferred income tax liabilities of RMB3,174 (US$468) for the associated withholding tax liability. The VIEs were in an accumulated deficit position as of December 31, 2016.

As of December 31, 2016, the Group had taxable losses of RMB130,404 (US$19,236) derived from entities in the PRC, which can be carried forward per tax regulation to offset future net profit for income tax purposes. The PRC taxable loss will expire from 2017 to 2022 if not utilized.

As of December 31, 2015 and 2016, the Group had unrecognized tax benefits of RMB8,843 and RMB9,124 (US$1,346), of which RMB1,069 and RMB932 (US$138) were offset against the deferred tax assets on tax losses carry forward, and the remaining amount of RMB7,774 and RMB8,192 (US$1,208) which if ultimately

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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11. INCOME TAXES (Continued)

recognized, would impact the effective tax rate. The Group planned to settle unrecognized tax benefits of RMB6,951 (US$1,025) in cash in the next 12 months as of December 31, 2016. Accordingly, such amount was classified as income taxes payable. It is possible that the amount of unrecognized benefits will further change in the next 12 months; however, an estimate of the range of the possible change cannot be made at this moment. A reconciliation of the beginning and ending amount of unrecognized tax benefit is as follows:

	2015 RMB	2016 RMB	2016 US$
Balance at January 1,	5,251	8,843	1,304
Additions based on tax positions related to current year	3,592	281	41
Balance at December 31,	8,843	9,124	1,345

The Group recognizes interest and penalties accrued related to unrecognized tax benefits in income tax expenses. For the years ended December 31, 2014, 2015 and 2016, the Group recognized approximately RMB154, RMB279 and RMB573 (US$85) in interest, respectively, and RMB314, RMB275, and nil in penalties, respectively. The Group had approximately RMB1,093 and RMB1,666 (US$246) in accrued interest and penalties recorded in other non-current liabilities as of December 31, 2015 and 2016, respectively. The Group planned to settle interest and penalty of RMB574 (US$85) in cash in the next 12 months as of December 31, 2016. Accordingly, such amount was classified as income taxes payable.

As of December 31, 2016, the tax years ended December 31, 2011 through 2016 for the WFOE and the VIEs remain open to examination by the PRC tax authorities.

12. RELATED PARTY TRANSACTIONS

During the year ended December 31, 2014, 2015 and 2016, the Group had the following related party transactions:

	Notes	For the year ended December 31, 2014 RMB	2015 RMB	2016 RMB	2016 US$
Loan to a related party:					
Lionbridge Limited ("Lionbridge")	(a)	—	200,000	280,000	41,302
Fees paid to related parties:					
Beijing Mai Rui Technology Co., Ltd. ("Mai Rui")	(b)	—	705	278	41
Bain Capital Advisors (China) Ltd. ("Bain Advisors")	(c)	6,200	6,200	6,200	915

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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12. RELATED PARTY TRANSACTIONS (Continued)

(a) The Group entered into certain entrustment loan agreements with Lionbridge, an affiliate of the Group's majority shareholder, pursuant to which the Group granted total loans of RMB200,000 and RMB280,000 (US$41,302) to Lionbridge during the years ended December 31, 2015 and 2016, respectively, with details set forth below:

Loan granted	Principal	Interest Rate	Period
Loan 1	200,000	10%	March 10, 2015 to November 30, 2015
Loan 2	200,000	9%	March 30, 2016 to November 30, 2016
Loan 3	30,000	5%	July 8, 2016 to December, 8, 2016
Loan 4	50,000	6%	July 8, 2016 to December 8, 2016

As of December 31, 2015 and 2016, respectively, the above loans were fully repaid. Interest income of RMB14,542 and RMB12,712 (US$1,875) from the above loans were recorded as interest income during the years ended December 31, 2015 and 2016, respectively.

(b) During the years ended December 31, 2014, 2015 and 2016, the Group paid course development fees of RMB nil, RMB705 and RMB278 (US$41), respectively, to Mai Rui, an entity over which a director of the Group has significant influence.

(c) During the years ended December 31, 2014, 2015 and 2016, the Group paid consulting fees of RMB6,200, RMB6,200 and RMB6,200 (US$915), respectively, to Bain Advisors, an affiliate of the Group's majority shareholder.

13. RESTRICTED NET ASSETS

Prior to payment of dividends, pursuant to the laws applicable to the PRC's foreign investment enterprises, the VIE and the VIE's subsidiaries must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each company. These reserves include (i) general reserve and (ii) the development fund.

Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax income as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the PRC entity registered capital; the other reserve appropriations are at the Company's discretion. These reserves can only be used for specific purposes of enterprise expansion and are not distributable as cash dividends. During the years ended December 31, 2015 and 2016, the Group's appropriations to the general reserve amounted to nil and RMB3,526 (US$520), respectively.

PRC laws and regulations require private schools that require reasonable returns to make annual appropriations of no less than 25% of after-tax income prior to payments of dividend to its development fund, which is to be used for the construction or maintenance of the school or procurement or upgrading of educational equipment. For private schools that do not require reasonable returns, this amount should be equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. During the years ended December 31, 2015 and 2016, the Group's appropriations to the development fund amounted to RMB1,669 and RMB3,115 (US$459), respectively.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

13. RESTRICTED NET ASSETS (Continued)

These reserves are included as statutory reserves in the consolidated statements of changes in shareholders' equity. The statutory reserves cannot be transferred to the Company in the form of loans or advances and are not distributable as cash dividends except in the event of liquidation.

Relevant PRC laws and regulations restrict the WFOE and the VIEs from transferring certain of their net assets to the Company in the form of loans, advances or cash dividends. Amounts restricted include the paid in capital and statutory reserves of the WFOE and the VIEs, totaling approximately RMB212,279 (US$31,313) as of December 31, 2016.

14. (LOSS)/INCOME PER SHARE

Basic and diluted (loss)/income per share for each of the years presented are calculated as follows:

	For the year ended December 31,			
	2014 RMB	2015 RMB	2016 RMB	2016 US$
Numerator:				
Net (loss)/income attributable to RISE Education Cayman Ltd—basic and diluted	(65,172)	(26,285)	53,923	7,954
Denominator:				
Weighted average number of ordinary shares outstanding-basic and diluted	100,000,000	100,000,000	100,000,000	
Basic and diluted (loss)/income per share	(0.65)	(0.26)	0.54	0.08

The outstanding share options are considered contingently issuable shares. As the exercisability event has not occurred (Note 2, Note 15) at the respective reporting dates, the contingently issuable shares, were excluded from the computation of diluted (loss)/income per share for the year ended December 31, 2016. There were no outstanding share options during the years ended December 31, 2014 and 2015, respectively.

15. SHARE-BASED PAYMENTS

In 2016, the Board of Directors approved the Equity Option Plan (the "Plan"), which has a term of 10 years and is administrated by the Board of Directors. Under the Plan, the Company reserved options to its eligible employees, directors and officers of the Group for the purchase of 7,000,000 of the Company's ordinary shares in aggregate (excluding shares which have lapsed or have been forfeited).

In April 2016, the Board of Directors approved option grants to employees for the purchase of 5,985,000 of the Company's ordinary shares. 50% of the options granted will generally vest in four or five equal installments over a service period (the "Service Options") while the remaining 50% of the options will vest in two equal installments of 25% each if a fixed targeted return on the Company's ordinary shares is achieved (the "Market Options"). Both the Service Options and Market Options (collectively, the "Options") are exercisable only upon the occurrence of an IPO or change of control (each or collectively, the "exercisability event"). The exercisability event constitutes a performance condition that is not considered probable until the completion of the IPO or

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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15. SHARE-BASED PAYMENTS (Continued)

change of control. The Company will not recognize any compensation expense until the exercisability event occurs. Upon the occurrence of the exercisability event, the effect of the change in this estimate will be accounted for in the period of change by cumulative compensation cost recognition as if the new estimate had been applied since the service inception date, with the remaining unrecognized compensation cost amortized over the remaining requisite service period.

Modification of options

In September 2016, the Board of Directors approved the modification of substantially all the Options to require recipients to remain in service with the Company until October 1, 2017, October 1, 2018, October 1, 2019, or October 1, 2020; otherwise the Options (both vested and unvested portions) will be forfeited. As of the modification date, the original performance condition of the Options was not expected to be satisfied, therefore, the modification-date fair value of the Options instead of the original grant-date fair value will be used to measure the modified Options once they ultimately vest.

There were no other modifications to the Company's share option arrangements for the periods presented.

A summary of the equity award activity under the Plan is stated below:

	Number of options	Weighted-average exercise price US$	Weighted-average grant-date fair value US$	Weighted-average remaining contractual term Years	Aggregate intrinsic Value US$
Outstanding, December 31, 2015	—	—	—	—	—
Granted	5,985,000				
Forfeited	—				
Outstanding, December 31, 2016	5,985,000	1.44	N/A	7.91	10,683
Vested and expected to vest at December 31, 2016	5,985,000				
Exercisable at December 31, 2016	—				

The aggregate intrinsic value in the table above represents the difference between the fair value of the Company's ordinary share as of December 31, 2016 and the option's respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2015 and 2016 was nil as no options were exercised.

The weighted-average modification-date fair value of the equity awards granted during the year ended December 31, 2016 was US$1.98 per option. No awards were granted during the years ended December 31, 2014 and 2015, respectively.

No awards were vested and no share-based compensation expense was recorded in respect of the Plan for the year ended December 31, 2016 as the exercisability event has not occurred. As of December 31, 2016, there was US$11,870 of total unrecognized share-based compensation expenses. Total unrecognized compensation cost may be adjusted for actual forfeitures occurring in the future.

The fair value of Service Options and Market Options were determined using the binomial option valuation model and Monte Carlo simulation model, respectively, with the assistance from an independent third-party

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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15. SHARE-BASED PAYMENTS (Continued)

Modification of options (Continued)

appraiser. The option valuation models required the input of highly subjective assumptions, including the expected share price volatility and the suboptimal early exercise factor. For expected volatilities, the Company has made reference to historical volatilities of several comparable companies. The suboptimal early exercise factor was estimated based on the Company's expectation of exercise behavior of the grantees. The risk-free rate for the period within the contractual life of the Options is based on the market yield of U.S. Treasury Bonds in effect at the time of grant. The estimated fair values of the ordinary shares, at the modification date was determined with the assistance of an independent third-party appraiser. The Company's management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

The assumptions used to estimate the fair value of the Options granted are as follows:

	2016
Risk-free interest rate	1.92%-2.23%
Expected volatility range	48.1%-50.7%
Suboptimal exercise factor	2.8
Fair value per ordinary share as at valuation date	US$3.10-$3.26

16. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group leases offices and classroom facilities under operating leases. Future minimum lease payments under non-cancelable operating leases with initial terms in excess of one year consist of the following as of December 31, 2016:

	RMB	US$
2017	117,100	17,273
2018	103,194	15,222
2019	87,601	12,922
2020	62,111	9,162
2021 and thereafter	111,849	16,499
	481,855	71,078

Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases. The Group's lease arrangements have no renewal options, rent escalation clauses, restrictions or contingent rents and are all executed with third parties. For the years ended December 31, 2014, 2015 and 2016, total rental expenses for all operating leases amounted to approximately RMB96,927, RMB110,958 and RMB121,530 (US$17,927), respectively.

Capital expenditure commitments

The Group has commitments for the construction of leasehold improvements associated with its schools of RMB1,712 (US$253) at December 31, 2016, which are expected to be paid within one year.

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16. COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies

As of December 31, 2016, the Group is in the process of applying for private school operating permits or private non-enterprise entity registration certificates for several schools. In addition, some of the schools have not obtained fire safety approvals. An estimate for the reasonably possible loss or a range of reasonably possible losses associated with these contingencies cannot be made at this time.

From time to time, the Group is also subject to legal proceedings, investigations, and claims incidental to the conduct of its business. The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, financial position or results of operations.

17. ACCUMULATED OTHER COMPREHENSIVE (LOSS)/ INCOME

	Foreign currency translation adjustments
	RMB
Balance as of January 1, 2014	(4,483)
Foreign currency translation adjustments, net of tax of nil	11,548
Balance as of December 31, 2014	7,065
Foreign currency translation adjustments, net of tax of nil	21,124
Balance as of December 31, 2015	28,189
Foreign currency translation adjustments, net of tax of nil	22,275
Balance as of December 31, 2016	50,464
	US$
Balance as of December 31, 2016	7,444

There have been no reclassifications out of accumulated other comprehensive income to net (loss)/income for the periods presented.

18. SUBSEQUENT EVENT

On June 16, 2017, the Company revised its name from Bain Capital Rise Education II Cayman Limited to RISE Education Cayman Ltd effectively immediately. The Company also revised the names of its wholly-owned subsidiaries, Bain Capital Rise Education III Cayman Limited and Bain Capital Rise Education Cayman Limited, respectively, to RISE Education Cayman III Ltd and RISE Education Cayman I Ltd, respectively, on the same date.

19. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF THE REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

On September 15, 2017, the Group entered into an agreement with The Edge Learning Centers Limited (the "Seller") to purchase from the Seller an educational business for a consideration of approximately HK$33 million. This purchase did not meet the significance thresholds stipulated under SEC Regulation SX 3-05(b)(2).

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19. EVENTS (UNAUDITED) SUBSEQUENT TO THE DATE OF THE REPORT OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM (Continued)

In September 2017, the Company became wholly owned by the Company's controlling shareholder, Bain Capital Education IV Cayman Limited.

In September 2017, the Company approved a new Equity Option Plan (the "2017 Plan"), which will become effective upon the completion of the IPO.

In September 2017, the Group amended a loan facility agreement originally entered in July 2016 (Note 10), for a short-term facility of US$30,000 and a long-term facility of US$110,000. The Group has drawn down the facility in full.

In September 2017, the Company paid a cash dividend of US$87,000 to its shareholders.

20. CONDENSED FINANCIAL INFORMATION OF THE COMPANY

Condensed Balance Sheets

	As at December 31,		
	2015 RMB	2016 RMB	2016 US$
ASSETS			
Current assets:			
Due from a subsidiary of the Group	50,361	—	—
Total current assets	**50,361**	**—**	**—**
Non-current assets:			
Due from related parties	621,868	298,549	44,038
Investment in subsidiaries	84,789	111,661	16,471
Total non-current assets	706,657	410,210	60,509
Total assets	**757,018**	**410,210**	**60,509**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Advance from a subsidiary of the Group	—	3,010	443
Total current liabilities	**—**	**3,010**	**443**
Total liabilities	**—**	**3,010**	**443**
Shareholders' equity:			
Ordinary shares (US$0.01 par value; 200,000,000 shares authorized, 100,000,000 shares issued and outstanding as of December 31, 2015 and 2016, respectively)	6,120	6,120	903
Additional paid-in capital	878,385	452,369	66,728
Accumulated deficit	(155,676)	(101,753)	(15,009)
Accumulated other comprehensive loss	28,189	50,464	7,444
Total shareholders' equity	**757,018**	**407,200**	**60,066**
Total liabilities and shareholders' equity	**757,018**	**410,210**	**60,509**

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

20. CONDENSED FINANCIAL INFORMATION OF THE COMPANY (Continued)

Condensed Statements of Comprehensive (Loss)/Income

	For the year ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
Operating (loss)/income	—	—	—	—
Equity in (loss)/profit of subsidiaries and the VIEs	(86,065)	(48,332)	35,409	5,223
Interest income	20,893	22,047	18,514	2,731
(Loss)/income before income tax expense	**(65,172)**	**(26,285)**	**53,923**	**7,954**
Income tax expense	—	—	—	—
Net (loss)/income	**(65,172)**	**(26,285)**	**53,923**	**7,954**
Other comprehensive income, net of tax of nil				
Foreign currency translation adjustments	11,548	21,124	22,275	3,286
Other comprehensive income	**11,548**	**21,124**	**22,275**	**3,286**
Comprehensive (loss)/income	**(53,624)**	**(5,161)**	**76,198**	**11,240**

Statements of Cash Flows

	For the year ended December 31,			
	2014	2015	2016	2016
	RMB	RMB	RMB	US$
Net cash generated from investing activities	—	—	426,016	62,841
Net cash used in financing activities	—	—	(426,016)	(62,841)
Net increase in cash and cash equivalents	—	—	—	—
Cash and cash equivalents at beginning of year	—	—	—	—
Cash and cash equivalents at end of year	—	—	—	—

(a) Basis of presentation

For the Company only condensed financial information, the Company records its investment in its subsidiaries and VIEs under the equity method of accounting. Such investment is presented on the condensed balance sheets as "Investment in subsidiaries" and share of their (loss)/income as "Equity in (loss)/ profit of subsidiaries and the VIEs" on the condensed statements of comprehensive (loss)/income. The subsidiaries and VIEs did not pay any dividends to the Company for the periods presented.

(b) Commitments

The Company does not have any significant commitments or long-term obligations as of any of the periods presented.

The Company only condensed financial information should be read in conjunction with the Group's consolidated financial statements.

RISE EDUCATION CAYMAN LTD

AUDITED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016 AND UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2017

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	Notes	As of				
		December 31, 2016	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017
		RMB	RMB	US$	RMB	US$
			(unaudited)		Pro-forma shareholders' equity (unaudited)	
ASSETS						
Current assets:						
Cash and cash equivalents		639,999	537,032	79,217		
Restricted cash		16,689	59,818	8,824		
Short-term investments		—	140,000	20,651		
Accounts receivable, net		—	1,553	229		
Amounts due from a related party		—	150,000	22,126		
Inventories		5,533	8,427	1,243		
Prepayments and other current assets	4	45,517	53,227	7,851		
Total current assets		**707,738**	**950,057**	**140,141**		
Non-current assets:						
Property and equipment, net	5	75,673	87,255	12,871		
Intangible assets, net	6	225,951	213,431	31,483		
Goodwill	7	461,686	455,608	67,206		
Deferred tax assets		4,087	7,201	1,062		
Other non-current assets		25,163	29,510	4,353		
Total non-current assets		**792,560**	**793,005**	**116,975**		
Total assets		**1,500,298**	**1,743,062**	**257,116**		
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current liabilities (including current liabilities of the VIEs without recourse to the Company amounting to RMB660,446 and RMB838,714 (US$123,718) as of December 31, 2016 and June 30, 2017, respectively):						
Current portion of long-term loan	9	38,186	37,286	5,500		
Accounts payable		4,068	7,680	1,133		
Accrued expenses and other current liabilities	8	96,158	101,591	14,986		
Deferred revenue and customer advances		601,324	786,171	115,966		
Income taxes payable		23,630	19,013	2,805		
Total current liabilities		**763,366**	**951,741**	**140,390**		

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

RISE EDUCATION CAYMAN LTD

AUDITED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2016 AND UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET AS OF JUNE 30, 2017 (Continued)

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	Notes	As of				
		December 31, 2016	June 30, 2017	June 30, 2017	June 30, 2017	June 30, 2017
		RMB	RMB	US$	RMB	US$
			(unaudited)		Pro-forma shareholders' equity (unaudited)	
Non-current liabilities (including non-current liabilities of the VIEs without recourse to the Company amounting to RMB4,271 and RMB5,679 (US$838) as of December 31, 2016 and June 30, 2017, respectively)						
Long-term loan	9	333,102	327,270	48,275		
Deferred tax liabilities		3,070	8,937	1,318		
Other non-current liabilities		2,333	2,554	377		
Total non-current liabilities		**338,505**	**338,761**	**49,970**		
Total liabilities		**1,101,871**	**1,290,502**	**190,360**		
Commitments and contingencies						
Shareholders' equity:						
Ordinary shares (US$0.01 par value; 200,000,000 shares authorized, 100,000,000 shares issued and outstanding as of December 31, 2016 and June 30, 2017, respectively)		6,120	6,120	903	6,120	903
Additional paid-in capital		452,369	452,369	66,728	—	—
Statutory reserves		32,511	32,511	4,796	32,511	4,796
Accumulated deficit		(134,264)	(74,176)	(10,942)	(245,493)	(36,212)
Accumulated other comprehensive income	15	50,464	46,770	6,899	46,770	6,899
Total RISE Education Cayman Ltd shareholders' equity/(deficit)		**407,200**	**463,594**	**68,384**	**(160,092)**	**(23,614)**
Non-controlling interests	16	(8,773)	(11,034)	(1,628)		
Total equity		**398,427**	**452,560**	**66,756**		
Total liabilities, non-controlling interests and shareholders' equity		**1,500,298**	**1,743,062**	**257,116**		

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

RISE EDUCATION CAYMAN LTD

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2017

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	Notes	Six months ended June 30,		
		2016	2017	2017
		RMB (unaudited)	RMB (unaudited)	US$ (unaudited)
Revenues	3	315,046	437,100	64,476
Cost of revenues		(169,737)	(196,079)	(28,924)
Gross profit		**145,309**	**241,021**	**35,552**
Operating expenses:				
Selling and marketing		(53,722)	(71,243)	(10,509)
General and administrative		(68,311)	(84,921)	(12,526)
Total operating expenses		**(122,033)**	**(156,164)**	**(23,035)**
Operating income		**23,276**	**84,857**	**12,517**
Interest income		6,053	9,438	1,392
Interest expense		—	(9,907)	(1,461)
Foreign currency exchange (loss)/ gain		(1,188)	198	29
Other expense, net		(40)	(136)	(20)
Income before income tax expense		**28,101**	**84,450**	**12,457**
Income tax expense		(9,842)	(26,623)	(3,927)
Net income		**18,259**	**57,827**	**8,530**
Add: Net loss attributable to non-controlling interests	16	1,066	2,261	333
Net income attributable to RISE Education Cayman Ltd		**19,325**	**60,088**	**8,863**
Net income per share:				
Basic and diluted		0.19	0.60	0.09
Shares used in net income per share computation:				
Basic and diluted		100,000,000	100,000,000	
Pro forma net income per share:				
Basic and diluted			0.54	0.08
Shares used in pro forma net income per share computation:				
Basic and diluted			110,000,000	

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

RISE EDUCATION CAYMAN LTD

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2017

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"), except for number of shares and per share data)

	Notes	Six months ended June 30,		
		2016	2017	2017
		RMB	RMB	US$
		(unaudited)	(unaudited)	(unaudited)
Net income		**18,259**	**57,827**	**8,530**
Other comprehensive income, net of tax of nil:				
Foreign currency translation adjustments	15	13,894	(3,694)	(545)
Other comprehensive income/(loss)		**13,894**	**(3,694)**	**(545)**
Comprehensive income		**32,153**	**54,133**	**7,985**
Add: comprehensive loss attributable to non-controlling interests		182	2,261	333
Comprehensive income attributable to RISE Education Cayman Ltd		**32,335**	**56,394**	**8,318**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

RISE EDUCATION CAYMAN LTD

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2017

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"))

	Six months ended June 30,		
	2016	2017	2017
	RMB (unaudited)	RMB (unaudited)	US$ (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	18,259	57,827	8,530
Adjustments to reconcile net income to net cash used in operating activities:			
Depreciation and amortization expenses	36,543	24,643	3,635
Loss/(gain) on disposal of equipment	94	(2)	—
Deferred income taxes	(9,184)	2,754	406
Others	—	2,037	300
Changes in operating assets and liabilities:			
Restricted cash	(897)	(4,716)	(696)
Prepayments and other current assets	(44,215)	(11,146)	(1,644)
Inventories	1,006	(2,894)	(427)
Accounts payable	(1,352)	3,612	533
Accrued expenses and other current liabilities	13,460	8,568	1,264
Income taxes payable	9,026	(4,794)	(707)
Deferred revenue and customer advances	98,474	184,847	27,266
Other non-current assets	(2,317)	(4,347)	(641)
Other non-current liabilities	1,921	221	33
Accounts receivable, net	—	(1,553)	(229)
Net cash generated from operating activities	**120,818**	**255,057**	**37,623**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of equipment	1	7	1
Purchase of property and equipment	(15,896)	(25,864)	(3,815)
Purchase of intangible assets	(2,133)	(2,315)	(341)
Purchase of short-term investments	—	(290,000)	(42,777)
Proceeds from maturity of short-term investments	1,000	150,000	22,126
Loans to a related party	(200,000)	(150,000)	(22,126)
Net cash used in investing activities	**(217,028)**	**(318,172)**	**(46,932)**

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

RISE EDUCATION CAYMAN LTD

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED JUNE 30, 2016 AND 2017 (Continued)

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US$"))

	Six months ended June 30,		
	2016 RMB (unaudited)	2017 RMB (unaudited)	2017 US$ (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Change in restricted cash	—	(38,413)	(5,666)
Distribution to shareholders	(72,039)	—	
Net cash used in financing activities	**(72,039)**	**(38,413)**	**(5,666)**
Effects of exchange rate changes	3,425	(1,439)	(213)
Net decrease in cash and cash equivalents	(164,824)	(102,967)	(15,188)
Cash and cash equivalents at beginning of period	517,436	639,999	94,405
Cash and cash equivalents at end of period	**352,612**	**537,032**	**79,217**
Supplemental disclosures of cash flow information:			
Income taxes paid	6,295	27,354	4,035
Interest expense paid	—	7,884	1,163
Non-cash investing activities:			
Purchase of property and equipment included in accrued expenses and other current liabilities	2,823	3,905	576

The accompanying notes are an integral part of these unaudited interim condensed consolidated financial statements.

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION

RISE Education Cayman Ltd (the "Company") is a limited company incorporated in the Cayman Islands under the laws of Cayman Islands on July 16, 2013. On September 30, 2013 (the "Acquisition date"), the Company acquired from certain third-party sellers a junior English Language Training ("ELT") business (the "Acquisition").

The Company does not conduct any substantive operations on its own but instead conducts its primary business operations through its wholly-owned subsidiaries, the variable interest entity (the "VIE"), and the VIE's subsidiaries and schools, which are located in the People's Republic of China (the "PRC"). The VIE, the VIE's subsidiaries and schools, hereinafter are collectively referred to as the "VIEs". The accompanying consolidated financial statements include the financial statements of the Company, its wholly-owned subsidiaries and the VIEs (hereinafter collectively referred to as the "Group").

The Group is principally engaged in the business of providing junior ELT services in the PRC primarily under the "RISE" brand. The Group offers a wide range of educational programs, services and products, consisting primarily of educational courses, sale of course materials, franchise services, and study tours.

As of June 30, 2017, details of the Company's subsidiaries, the VIE and the VIE's subsidiaries and schools are as follows:

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the Company	Principal activity
Subsidiaries of the Company:				
RISE Education Cayman III Ltd ("Cayman III")	July 29, 2013	Cayman Islands	100%	Investment holding
RISE Education Cayman I Ltd ("Cayman")	June 19, 2013	Cayman Islands	100%	Investment holding
Rise IP (Cayman) Limited ("Rise IP")	July 24, 2013	Cayman Islands	100%	Educational consulting
Bain Capital Rise Education (HK) Limited ("Rise HK")	June 24, 2013	Hong Kong	100%	Educational consulting
Rise (Tianjin) Education Information Consulting Co., Ltd. ("Rise Tianjin" or "WFOE")	August 12, 2013	PRC	100%	Educational consulting
VIE:				
Beijing Step Ahead Education Technology Development Co., Ltd.	January 2, 2008	PRC	—	Educational consulting

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the Company	Principal activity
VIE's subsidiaries and schools:				
Beijing Haidian District Step Ahead Training School	September 18, 2008	PRC	—	Language education
Beijing Shijingshan District Step Ahead Training School	July 14, 2009	PRC	—	Language education
Beijing Changping District Step Ahead Training School	July 3, 2009	PRC	—	Language education
Beijing Chaoyang District Step Ahead Training School	July 20, 2009	PRC	—	Language education
Beijing Xicheng District RISE Immersion Subject English Training School	February 5, 2010	PRC	—	Language education
Beijing Dongcheng District RISE Immersion Subject English Training School	July 30, 2010	PRC	—	Language education
Beijing Tongzhou District RISE Immersion Subject English Training School	April 19, 2011	PRC	—	Language education
Beijing Daxing District RISE Immersion Subject English Training School	March 31, 2013	PRC	—	Language education
Beijing Fengtai District Step Ahead Training School	February 28, 2012	PRC	—	Language education
Shanghai Boyu Investment Management Co., Ltd.	January 29, 2012	PRC	—	Language education
Shanghai Riverdeep Education Information Consulting Co., Ltd.	March 8, 2010	PRC	—	Educational consulting services
Shanghai Huangpu District RISE Immersion Subject English Training School	June 17, 2011	PRC	—	Language education

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the Company	Principal activity
Guangzhou Ruisi Education Technology Development Co., Ltd.	August 17, 2012	PRC	—	Training services
Guangzhou Yuexiu District RISE Immersion Subject English Training School	April 29, 2014	PRC	—	Language education
Guangzhou Haizhu District RISE Immersion Subject English Training School-Chigang	December 8, 2014	PRC	—	Language education
Shenzhen Mei Ruisi Education Management Co., Ltd.	February 28, 2014	PRC	—	Training services
Shenzhen Futian District Rise Training Center	January 8, 2015	PRC	—	Language education
Shenzhen Nanshan District Rise Training Center	May 26, 2015	PRC	—	Language education
Wuxi Rise Foreign Language Training Co., Ltd.	June 5, 2013	PRC	—	Training services

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information using accounting policies that are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2016. Accordingly, these unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for annual financial statements.

In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all normal recurring adjustments necessary to present fairly the financial position, operating results and cash flows of the Company for each of the periods presented. The results of operations for the six months ended June 30, 2017 are not necessarily indicative of results to be expected for any other interim period or for the full year of 2017. The consolidated balance sheet as of December 31, 2016 was derived from the audited consolidated financial statements at that date but does not include all of the disclosures required by U.S. GAAP for annual financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended December 31, 2016.

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

The Group's business is affected by seasonality. The Group generally generates higher revenue from the third quarter starting in September when the new school term commences and in the fourth quarter of each year, due to more courses being offered. In addition, higher revenues are generated in the third quarter due to summer overseas study tours organized during the summer school holidays. The Group has historically generated lower revenues in the first quarter due to fewer courses offered during the Chinese New Year season, and is partially offset by revenues generated from winter overseas study tours.

The following financial statement balances and amounts of the VIEs were included in the accompanying consolidated financial statements:

	As at December 31, 2016 RMB	As at June 30, 2017 RMB	As at June 30, 2017 US$
Cash and cash equivalents	437,594	179,834	26,527
Restricted cash	5,609	10,440	1,540
Short-term investments	—	10,076	1,486
Inventories	1,605	1,008	149
Accounts receivable, net	—	78	11
Prepayments and other current assets	38,297	36,131	5,330
Amounts due from the Group's subsidiaries	63,897	493,501	72,795
Total current assets	547,002	731,068	107,838
Property and equipment, net	67,601	79,526	11,731
Intangible assets, net	1,740	1,055	156
Goodwill	145,781	145,781	21,504
Deferred tax assets	4,087	7,201	1,062
Other non-current assets	23,564	28,753	4,241
Total non-current assets	242,773	262,316	38,694
Total assets	789,775	993,384	146,532
Accounts payable	1,484	1,551	229
Accrued expenses and other current liabilities	76,418	90,650	13,372
Deferred revenue and customer advances	581,215	746,513	110,117
Income taxes payable	1,329	—	—
Amounts due to the Group's subsidiaries	49,007	76,854	11,337
Total current liabilities	709,453	915,568	135,055
Deferred tax liabilities	2,527	3,714	548
Other non-current liabilities	1,744	1,965	290
Total non-current liabilities	4,271	5,679	838
Total liabilities	713,724	921,247	135,893

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

	Six months ended June 30,		
	2016	2017	2017
	RMB	RMB	US$
Revenues	300,427	417,018	61,513
Net loss	(12,104)	(6,063)	(894)
Net cash provided used in operating activities	(222,627)	(222,429)	(32,810)
Net cash used in investing activities	(12,154)	(35,331)	(5,212)

The revenue-producing assets that are held by the VIEs comprise of property and equipment, student base and franchise agreements. The VIEs contributed an aggregate of 95% and 95% of the consolidated revenues for the six months ended June 30, 2016 and 2017, respectively, after elimination of inter- company transactions.

As of June 30, 2017, there was no pledge or collateralization of the VIEs' assets that can only be used to settle obligations of the VIEs. Other than the amounts due to subsidiaries of the Group (which are eliminated upon consolidation), all remaining liabilities of the VIEs are without recourse to the Company. The Company did not provide nor intend to provide financial or other support not previously contractually required to the VIEs during the periods presented.

Relevant PRC laws and regulations restrict the VIEs from transferring a portion of its net assets, equivalent to the balance of its paid-in capital and statutory reserves, to the Company in the form of loans and advances or cash dividends. Please refer to Note 12 for disclosure of restricted net assets.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America ("US GAAP").

Principles of consolidation

The consolidated financial statements include the financial statements of the Company, its subsidiaries, and the VIEs. All significant inter-company transactions and balances between the Company, its subsidiaries and the VIEs have been eliminated upon consolidation. Results of subsidiaries, businesses acquired from third parties and the VIEs are consolidated from the date on which control is obtained by the Company.

Use of estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and revenue and expenses in the consolidated financial statements and accompanying notes. Significant accounting estimates reflected in the Group's consolidated financial statements include valuation allowance for deferred tax assets, uncertain tax positions, economic lives and impairment of long-lived assets, impairment of goodwill, estimating the best estimate of selling price for each deliverable in the Group's revenue arrangements, and share-based compensation. Actual results could differ from those estimates.

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Convenience translation

Amounts in U.S. dollars are presented for the convenience of the reader and are translated at the noon buying rate of RMB6.7793 per US$1.00 on June 30, 2017 in the City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York. No representation is made that the RMB amounts could have been, or could be, converted into US$ at such rate.

Accounts receivable and allowance for doubtful accounts

Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded when collection of the full amount is no longer probable. In evaluating the collectability of receivable balances, the Group considers specific evidence including the aging of the receivable, the customer's payment history, its current credit-worthiness and current economic trends. Accounts receivable are written off after all collection efforts have ceased.

Unaudited pro forma shareholders' equity and net income per share

The Company paid a US$87,000 dividend to its shareholders in September 2017 and will recognize a material (i) share based compensation expense; and (ii) one-time consulting agreement termination expense upon the completion of an initial public offering ("IPO"). The pro forma share-based compensation expense was measured using the modification-date fair values of the share options of which the requisite service has been provided as of June 30, 2017. The pro forma one-time consulting agreement termination expense was measured based on a fixed formula stipulated in the consulting agreement. Unaudited pro forma shareholders' equity as of June 30, 2017, as adjusted for the (i) dividend distribution reflected as an adjustment to "additional paid-in capital" and "accumulated deficit"; (ii) share based compensation expense reflected as an adjustment to "additional paid-in capital" and "accumulated deficit"; and (iii) one-time consulting agreement termination expense reflected as an adjustment to "accumulated deficit", is set forth on the unaudited consolidated balance sheet.

In accordance with SAB Topic 1.B.3, the unaudited pro forma net income per share assumes that the US$87,000 dividend exceeding the most recent year's net income attributable to the Company (i.e. for the 12 months ended June 30, 2017) is deemed to be paid from the gross offering proceeds through the issuance of 10,000,000 ordinary shares and added to the existing 100,000,000 weighted average ordinary shares outstanding in the pro forma net income per share denominator. As the assumed gross offering proceeds of US$65,000 was not sufficient to fund the dividend exceeding the most recent 12 months' net income attributable to the Company, the numerator for pro forma net income per share was adjusted to reflect the additional interest expense (net of tax) of RMB1,051 (US$155), which is assumed to be incurred to fund the remaining dividend payment.

The outstanding share options are considered contingently issuable shares. As the exercisability event had not occurred at June 30, 2017, the contingently issuable shares were excluded from the computation of pro forma diluted net income per share for the six months ended June 30, 2017.

Recent accounting pronouncements

In August 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-14, *Revenue from Contracts with Customers-Deferral* of the effective date ("ASU 2015-14"). The amendments in ASU 2015-14 defer the effective date of ASU No. 2014-09, *Revenue from Contracts with*

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

Customers, ("ASU 2014-09"), issued in May 2014. According to the amendments in ASU 2015-14, the new revenue guidance ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. In March 2016, the FASB issued ASU No. 2016-08, *Revenue from Contracts with Customers—Principal versus Agent Considerations* ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU No. 2016-10, *Revenue from Contracts with Customers—Identifying Performance Obligations and Licensing* ("ASU 2016-10"), which clarify guidance related to identifying performance obligations and licensing implementation guidance contained in ASU No. 2014-09. In May 2016, the FASB issued ASU No. 2016-12, *Revenue from Contracts with Customers— Narrow-Scope Improvements and Practical Expedients* ("ASU 2016-12"), which addresses narrow-scope improvements to the guidance on collectability, non-cash consideration, and completed contracts at transition and provides practical expedients for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. The effective date for the amendment in ASU 2016-08, ASU 2016-10 and ASU 2016-12 are the same as the effective date of ASU No. 2014-09. The Group is currently evaluating the available adoption methods and in the process of evaluating its revenue arrangements to determine the impact of the adoption of these ASUs on its consolidated financial statements, if any.

In January 2016, the FASB issued ASU No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which updates certain aspects of recognition, measurement, presentation and disclosure of financial instruments. ASU 2016-01 will be effective for the Group for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Group does not believe the adoption of ASU 2016-01 will have a material impact on its consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842) ("ASU 2016-02"). ASU 2016-02 modifies existing guidance for off-balance sheet treatment of a lessees' operating leases by requiring lessees to recognize lease assets and lease liabilities. Under ASU 2016-02, lessor accounting is largely unchanged. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The Group is evaluating this guidance and the impact to the Group, as both lessor and lessee, on the consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230), *Classification of Certain Cash Receipts and Cash Payments* ("ASU 2016-15"). ASU 2016-15 reduces the existing diversity in practice in financial reporting across all industries by clarifying certain existing principles in ASC 230, *Statement of Cash Flows*, ("ASC 230") including providing additional guidance on how and what an entity should consider in determining the classification of certain cash flows. In addition, in November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows* (Topic 230), *Restricted Cash* ("ASU 2016-18"). ASU 2016-18 clarifies certain existing principles in ASC 230, including providing additional guidance related to transfers between cash and restricted cash and how entities present, in their statement of cash flows, the cash receipts and cash payments that directly affect the restricted cash accounts. These ASUs will be effective for the Group's fiscal year beginning January 1, 2018 and subsequent interim periods. Early adoption is permitted. The adoption of

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

ASU 2016-15 and ASU 2016-18 will modify the Group's current disclosures and classifications within the consolidated statement of cash flows but they are not expected to have a material effect on the Group's consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): *Intra-Entity Transfers of Assets Other Than Inventory*. Under the new standard, the selling (transferring) entity is required to recognize a current tax expense or benefit upon transfer of the asset. Similarly, the purchasing (receiving) entity is required to recognize a deferred tax asset or liability, as well as the related deferred tax benefit or expense, upon purchase or receipt of the asset. This pronouncement is effective for reporting periods beginning after December 15, 2017, with early adoption permitted. The Group is still evaluating the effect that this guidance will have on the consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying Definition of a Business* ("ASU 2017-01"). ASU 2017-01 clarifies the framework for determining whether an integrated set of assets and activities meets the definition of a business. The revised framework establishes a screen for determining whether an integrated set of assets and activities is a business and narrows the definition of a business, which is expected to result in fewer transactions being accounted for as business combinations. Acquisitions of integrated sets of assets and activities that do not meet the definition of a business are accounted for as asset acquisitions. This update is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted for transactions that have not been reported in previously issued (or available to be issued) financial statements. The Group does not believe this standard will have a material impact on the results of operations or financial condition.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment* ("ASU 2017-04"), which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. If the carrying amount of a reporting unit exceeds its fair value, an impairment loss shall be recognized in an amount equal to that excess, versus determining an implied fair value in Step two to measure the impairment loss. The guidance is effective for annual and interim impairment tests performed in periods beginning after December 15, 2019. Early adoption is permitted for all entities for annual and interim goodwill impairment testing dates on or after January 1, 2017. The guidance should be applied on a prospective basis. The Group is still evaluating the effect that this guidance will have on the consolidated financial statements and related disclosures.

In February 2017, the FASB issued ASU 2017-05, *Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets* ("ASU 2017-05"). ASU 2017-05 defines an in-substance nonfinancial asset and clarifies guidance related to partial sales of nonfinancial assets. This standard is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2017, with early adoption permitted. The Group does not believe this standard will have a material impact on the results of operations or financial condition.

In May 2017, the FASB issued ASU 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* that provides clarification on accounting for modifications in share-based payment awards. This guidance is effective for annual periods, including interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The adoption of this guidance is not expected to have an impact on the Group's consolidated financial statements or related disclosures unless there are modifications to the Group's share-based payment awards.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

3. REVENUES

	For the six months ended June 30,		
	2016	2017	2017
	RMB	RMB	US$
Educational programs	274,278	377,759	55,723
Franchise revenues[a]	32,151	52,025	7,674
Others	8,617	7,316	1,079
	315,046	437,100	64,476

(a) Initial franchise fees amounted to RMB7,453, and RMB12,972 (US$1,913), and recurring franchise fees amounted to RMB24,698, and RMB39,053 (US$5,761) for the six months ended June 30, 2016 and 2017, respectively.

4. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As at December 31,	As at June 30,	
	2016	2017	2017
	RMB	RMB	US$
Prepayments to suppliers	16,414	22,330	3,294
Prepaid rental expense	10,735	11,999	1,770
Staff advances	1,684	1,556	229
Deposits	7,625	11,023	1,626
Prepaid business tax, VAT and other surcharges	8,083	2,955	436
Other receivables	976	3,364	496
	45,517	53,227	7,851

5. PROPERTY AND EQUIPMENT, NET

	As at December 31,	As at June 30,	
	2016	2017	2017
	RMB	RMB	US$
Electronic equipment	35,464	37,136	5,478
Furniture	7,350	7,594	1,120
Vehicles	1,168	1,168	172
Leasehold improvements	141,253	164,232	24,226
	185,235	210,130	30,996
Less: accumulated depreciation	109,562	122,875	18,125
Property and equipment, net	75,673	87,255	12,871

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

5. PROPERTY AND EQUIPMENT, NET (Continued)

Depreciation expense for the six months ended June 30, 2016 and 2017 was RMB13,832 and RMB14,528 (US$2,143), respectively.

6. INTANGIBLE ASSETS, NET

The Group's intangible assets were all acquired and consisted of the following:

	As at December 31, 2016 RMB	As at June 30, 2017 RMB	As at June 30, 2017 US$
Costs:			
Courseware license	213,509	208,475	30,752
Franchise agreements	60,800	60,800	8,968
Student base	91,960	91,960	13,565
Trademarks	48,419	47,278	6,974
Purchased software	14,101	16,839	2,484
Teaching course materials	10,786	10,702	1,578
	439,575	436,054	64,321
Accumulated amortization:			
Courseware license	(46,261)	(52,119)	(7,688)
Franchise agreements	(60,800)	(60,800)	(8,968)
Student base	(90,916)	(91,240)	(13,459)
Trademarks	(10,490)	(11,819)	(1,743)
Purchased software	(3,041)	(3,988)	(588)
Teaching course materials	(2,116)	(2,657)	(392)
	(213,624)	(222,623)	(32,838)
Net carrying amount	225,951	213,431	31,483

The Group recorded amortization expense of RMB22,711 and RMB10,115 (US$1,492) for the six months ended June 30, 2016 and 2017, respectively.

As of June 30, 2017, estimated amortization expense of the existing intangible assets is RMB9,917, RMB19,704, RMB19,151, RMB19,151 and RMB19,151, for the six months ended December 31, 2017, for the years ended December 31, 2018, 2019, 2020 and 2021, respectively.

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

7. GOODWILL

Balance as of December 31, 2016	461,686
Goodwill acquired	—
Impairment losses	—
Foreign exchange effect	(6,078)
Balance as of June 30, 2017	455,608
Balance as of June 30, 2017 (US$)	67,206

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities consisted of the following:

	As at December 31,	As at June 30,	
	2016	2017	2017
	RMB	RMB	US$
Payroll and welfare payable	47,221	55,280	8,155
Business tax, VAT and surcharges payable	2,205	8,934	1,318
Interest payable	897	743	110
Accrued expenses	35,758	29,961	4,420
Accrual for purchase of property and equipment	7,292	3,905	576
Others	2,785	2,768	407
	96,158	101,591	14,986

9. LONG-TERM LOAN

As of June 30, 2017, the loan principal will be due according to the following schedule:

	US$
September 11, 2017	5,500
September 11, 2018	8,250
September 11, 2019	11,000
September 11, 2020	13,750
September 11, 2021	16,500
	55,000

The interest rate for the outstanding loan as of December 31, 2016 and June 30, 2017, was approximately 4.35% and 3.99%, respectively. The loan facility is guaranteed by Rise IP, Rise HK, the WFOE and VIE. Further, the ordinary shares of certain subsidiaries of the Group were pledged as collateral for the loan facility. In addition, the Group maintained deposits held in a designated bank account as security for interest payments amounting to US$1,596 and US$7,284 as of December 31, 2016 and June 30, 2017, respectively. Management also assessed no breach of its loan covenants as of June 30, 2017.

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$")
except for number of shares and per share data)

10. INCOME TAXES

The Group's effective tax rates were 35% and 31% for the six months ended June 30, 2016 and 2017, respectively. As of June 30, 2017, the Group had unrecognized tax benefits of RMB8,201 (US$1,210), of which RMB932 (US$138) was offset against the deferred tax assets on tax losses carry forward, and the remaining amount of RMB7,269 (US$1,072) which if ultimately recognized, would impact the effective tax rate. The Group had approximately RMB1,762 (US$260) in accrued interest related to unrecognized tax benefits as of June 30, 2017. The Group planned to settle unrecognized tax benefits of RMB5,888 (US$868) and related interest of RMB589 (US$87) in cash in the next 12 months as of June 30, 2017. Accordingly, such amounts were classified as income taxes payable. It is possible that the amount of unrecognized benefits will further change in the next 12 months; however, an estimate of the range of the possible change cannot be made at this moment.

11. RELATED PARTY TRANSACTIONS

During the six months ended June 30, 2016 and 2017, the Group had the following related party transactions:

	Note	For the six months ended June 30, 2016 RMB	2017 RMB	2017 US$
Loan to a related party:				
Lionbridge Limited ("Lionbridge")	(a)	200,000	150,000	22,126
Fees paid to related parties:				
Bain Capital Advisors (China) Ltd. ("Bain Advisors")	(b)	3,100	3,100	457

(a) The Group entered into certain entrustment loan agreements with Lionbridge, an affiliate of the Group's majority shareholder, pursuant to which the Group granted total loans of RMB200,000 and RMB150,000 (US$22,126) to Lionbridge during the six months ended June 30, 2016 and 2017, respectively, with details set forth below:

Loan granted	Principal	Interest Rate	Period
Loan 1	200,000	9%	March 30, 2016 to November 30, 2016
Loan 2	100,000	7%	February 24, 2017 to November 30, 2017
Loan 3	50,000	7%	March 20, 2017 to November 30, 2017

Interest income of RMB3,849 and RMB3,420 (US$504) from the above loans were recorded as interest income during the six months ended June 30, 2016 and 2017, respectively.

(b) During the six months ended June 30, 2016 and 2017, the Group paid consulting fees of RMB3,100 and RMB3,100 (US$457), respectively, to Bain Advisors, an affiliate of the Group's majority shareholder.

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NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

12. RESTRICTED NET ASSETS

Relevant PRC laws and regulations restrict the WFOE and the VIEs from transferring certain of their net assets to the Company in the form of loans, advances or cash dividends. Amounts restricted include the paid in capital and statutory reserves of the WFOE and the VIEs, totaling approximately RMB214,384 (US$31,623) as of June 30, 2017.

13. NET INCOME PER SHARE

Basic and diluted net income per share for each of the years presented are calculated as follows:

	For the six months ended June 30,		
	2016 RMB	2017 RMB	2017 US$
Numerator:			
Net income attributable to RISE Education Cayman Ltd- basic and diluted	19,325	60,088	8,863
Denominator:			
Weighted average number of ordinary shares outstanding- basic and diluted	100,000,000	100,000,000	100,000,000
Basic and diluted net income per share	0.19	0.60	0.09

The outstanding share options are considered contingently issuable shares. As the exercisability event has not occurred at the respective reporting dates, the contingently issuable shares, were excluded from the computation of diluted net income per share for the six months ended June 30, 2016 and 2017.

14. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Group leases offices and classroom facilities under operating leases. Future minimum lease payments under non-cancelable operating leases with initial terms in excess of one year consist of the following as of June 30, 2017:

	RMB	US$
Six months ended December 31, 2017	68,318	10,077
2018	127,446	18,799
2019	114,308	16,861
2020	90,350	13,327
2021	64,558	9,523
2022 and thereafter	127,942	18,873
	592,922	87,460

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

14. COMMITMENTS AND CONTINGENCIES (Continued)

Operating lease commitments (Continued)

Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases. The Group's lease arrangements have no renewal options, rent escalation clauses, restrictions or contingent rents and are all executed with third parties. For the six months ended June 30, 2016 and 2017, total rental expenses for all operating leases amounted to approximately RMB59,630 and RMB75,563 (US$11,145), respectively.

Capital expenditure commitments

The Group has commitments for the construction of leasehold improvements associated with its schools of RMB3,722 (US$549) at June 30, 2017, which are expected to be paid within one year.

Contingencies

As of June 30, 2017, the Group is in the process of applying for private school operating permits or private non-enterprise entity registration certificates for several schools. In addition, some of the schools have not obtained fire safety approvals. An estimate for the reasonably possible loss or a range of reasonably possible losses associated with these contingencies cannot be made at this time.

From time to time, the Group is also subject to legal proceedings, investigations, and claims incidental to the conduct of its business. The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, financial position or results of operations.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME

	RMB
Balance as of December 31, 2015	28,189
Foreign currency translation adjustments, net of tax of nil	13,894
Balance as of June 30, 2016	42,083
Balance as of December 31, 2016	50,464
Foreign currency translation adjustments, net of tax of nil	(3,694)
Balance as of June 30, 2017	46,770
	US$
Balance as of June 30, 2017	6,899

There were no reclassifications out of accumulated other comprehensive income to net income for the periods presented.

RISE EDUCATION CAYMAN LTD

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi ("RMB") and US dollars ("US$") except for number of shares and per share data)

16. NON-CONTROLLING INTERESTS

The Group's non-controlling interests are attributable to third parties holding minority stakes in a few of the VIE's subsidiaries. A reconciliation of the carrying amounts is as follows:

	RMB
Balance as of January 1, 2017	(8,773)
Net loss	(2,261)
Ending balance	(11,034)

	US$
Balance as of June 30, 2017	(1,628)

17. SUBSEQUENT EVENT

On September 15, 2017, the Group entered into an agreement with The Edge Learning Centers Limited (the "Seller") to purchase from the Seller an educational business for a consideration of approximately HK$33 million. This purchase did not meet the significance thresholds stipulated under SEC Regulation SX 3-05(b)(2).

In September 2017, the Company became wholly owned by the Company's controlling shareholder, Bain Capital Education IV Cayman Limited.

In September 2017, the Company approved a new Equity Option Plan (the "2017 Plan"), which will become effective upon the completion of the IPO.

In September 2017, the Group amended a loan facility agreement originally entered in July 2016 (Note 9), for a short-term facility of US$30,000 and a long-term facility of US$110,000. The Group has drawn down the facility in full.

In September 2017, the Company paid a cash dividend of US$87,000 to its shareholders.

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RISE
瑞思学科英语

Cultivating the Future Leaders of the World

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 6. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Under our post-IPO memorandum and articles of association, which will become effective immediately upon the completion of this offering, to the fullest extent permissible under Cayman Islands law every director and officer of our company shall be indemnified against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him, other than by reason of such person's own dishonesty, wilful default or fraud, in or about the conduct of our Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions as a director or officer of our company, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.

Pursuant to the form of indemnification agreements to be filed as Exhibit 10.2 to this Registration Statement, we will agree to indemnify our directors and executive officers against certain liabilities and expenses that they incur in connection with claims made by reason of their being a director or an executive officer of our company.

The Underwriting Agreement, the form of which is filed as Exhibit 1.1 to this Registration Statement, will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

ITEM 7. RECENT SALES OF UNREGISTERED SECURITIES.

During the past three years, we did not sell any securities that were not registered under the Securities Act.

ITEM 8. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) Exhibits

See Exhibit Index for a complete list of all exhibits filed as part of this registration, which Exhibit Index is incorporated herein by reference.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the Combined and Consolidated Financial Statements or the Notes thereto.

ITEM 9. UNDERTAKINGS.

The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

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EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement
3.1**	Memorandum and Articles of Association of the Registrant, as currently in effect
3.2**	Form of Amended and Restated Memorandum and Articles of Association of the Registrant, as effective upon the completion of this offering
4.1*	Form of Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3)
4.2*	Registrant's Specimen Certificate for Ordinary Shares
4.3*	Form of Deposit Agreement between the Registrant, the depositary and owners and holders of the ADSs
5.1**	Opinion of Maples and Calder (Hong Kong) LLP regarding the validity of the ordinary shares being registered
8.1**	Opinion of Maples and Calder (Hong Kong) LLP regarding certain Cayman Islands tax matters (included in Exhibit 5.1)
8.2**	Opinion of Haiwen & Partners regarding certain PRC tax matters (included in Exhibit 99.2)
10.1**	Equity Incentive Plan
10.2**	2017 Equity Incentive Plan
10.3**	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers
10.4**	Form of Employment Agreement with each executive officer of the Registrant
10.5**	Amended and Restated License Agreement between Daplon Limited and Rise Education Hong Kong Limited, dated September 28, 2013 and Letter Agreement between Houghton Mifflin Harcourt Publishing Company and Rise IP (Cayman) Limited, dated October 11, 2013
10.6**	English translation of Loan Agreement between Rise Tianjin and Peng Zhang, dated November 11, 2016
10.7**	English translation of Loan Agreement between Rise Tianjin and Yiding Sun, dated June 8, 2017
10.8**	English translation of Call Option Agreement among Rise Tianjin, Peng Zhang, Yiding Sun and Beijing Step Ahead, dated June 8, 2017
10.9**	English translation of Proxy Agreement among Rise Tianjin, Peng Zhang, Yiding Sun and Beijing Step Ahead, dated June 8, 2017
10.10**	English translation of Equity Pledge Agreement among Rise Tianjin, Peng Zhang, Yiding Sun and Beijing Step Ahead, dated June 8, 2017
10.11**	English translation of Business Cooperation Agreement among Rise Tianjin, Peng Zhang, Yiding Sun and Beijing Step Ahead, dated June 8, 2017
10.12**	Consulting Services Agreement between Rise HK and Rise Tianjin, dated January 12, 2014
10.13**	Consulting Services Agreement between Rise HK and Beijing Step Ahead, dated January 12, 2014, as supplemented on February 28, 2017
10.14**	English translation of Service Agreement between Rise Tianjin and Beijing Step Ahead, dated December 1, 2014
10.15**	English translation of form of Comprehensive Services Agreement between Rise Tianjin and each of Beijing Step Ahead's schools

Exhibit Number	Description of Document
10.16**	Form of License Agreement between Rise Tianjin and each of the Beijing Step Ahead's schools
10.17	Deed of Amendment Agreement between RISE Education Cayman I Ltd, RISE Education Cayman III Ltd, Rise IP, Rise HK, Rise Tianjin, Beijing Step Ahead, Bain Capital Entity, RISE Education, CTBC Bank Co., Ltd. and others, dated September 19, 2017
21.1**	Principal Subsidiaries and Affiliated Entities of the Registrant
23.1	Consent of Ernst & Young Hua Ming LLP, Independent Registered Public Accounting Firm
23.2**	Consent of Maples and Calder (Hong Kong) LLP (included in Exhibit 5.1)
23.3**	Consent of Haiwen & Partners (included in Exhibit 99.2)
24.1**	Powers of Attorney (included on signature page)
99.1**	Code of Business Conduct and Ethics of the Registrant
99.2**	Opinion of Haiwen & Partners regarding certain PRC law matters
99.3**	Consent of Frost & Sullivan
99.4**	Consent of Jiandong Lu, an independent director appointee
99.5	Consent of Yong Chen, an independent director appointee

* To be filed by amendment.
** Previously filed.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Beijing, on October 6, 2017.

RISE Education Cayman Ltd

By: /s/ Yiding Sun
Name: Yiding Sun
Title: Director and Chief Executive Officer

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
*	Director	October 6, 2017
Name: Zhongjue Chen		
*	Director	October 6, 2017
Name: David Benjamin Gross-Loh		
/s/ Yiding Sun	Director and Chief Executive Officer	October 6, 2017
Name: Yiding Sun	(principal executive officer)	
*	Chairwoman	October 6, 2017
Name: Lihong Wang		
/s/ Chelsea Qingyan Wang	Chief Financial Officer	October 6, 2017
Name: Chelsea Qingyan Wang	(principal financial and accounting officer)	

* By: /s/ Yiding Sun
Name:Yiding Sun
Attorney-in-fact

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of RISE Education Cayman Ltd, has signed this registration statement or amendment thereto in New York on October 6, 2017.

Authorized U.S. Representative

By: /s/ Colleen A. De Vries
Name: Colleen A. De Vries
Title: Senior Vice President

Exhibit 10.17

DEED OF AMENDMENT AGREEMENT

DATED 19 September 2017

BETWEEN

RISE EDUCATION CAYMAN I LTD
AS BORROWER

RISE EDUCATION CAYMAN III LTD
AS PARENTCO

RISE IP (CAYMAN) LIMITED
AS CAYMAN GUARANTOR

BAIN CAPITAL RISE EDUCATION (HK) LIMITED
AS HK GUARANTOR

RISE (TIANJIN) EDUCATION INFORMATION CONSULTING CO., LTD.
AS WOFE GUARANTOR

BEIJING STEP AHEAD EDUCATION TECHNOLOGY DEVELOPMENT CO., LTD.
AS VIE ENTITY

BAIN CAPITAL RISE EDUCATION IV CAYMAN LIMITED
AS DISTRIBUTION ACCOUNT HOLDER

RISE EDUCATION CAYMAN LTD
AS ORIGINAL SUBORDINATED CREDITOR

CTBC BANK CO., LTD.
AS MANDATED LEAD ARRANGER

CTBC BANK CO., LTD.
AS FACILITY AGENT

CTBC BANK CO., LTD.
AS SECURITY AGENT

AND

OTHERS

RELATING TO A FACILITY AGREEMENT AND A
SECURITY TRUST AGREEMENT
DATED 14 JULY 2016

CONTENTS

THIS DEED OF AGREEMENT (this "Agreement") is dated 19 September 2017 and made between:

(1) **RISE EDUCATION CAYMAN I LTD** (formerly known as **BAIN CAPITAL RISE EDUCATION CAYMAN LIMITED**), an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 278734 and having its registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands (the "**Borrower**");

(2) **RISE EDUCATION CAYMAN III LTD** (formerly known as **BAIN CAPITAL RISE EDUCATION III CAYMAN LIMITED**), an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 279811 and having its registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands ("**ParentCo**");

(3) **BAIN CAPITAL RISE EDUCATION (HK) LIMITED**, a company incorporated under the laws of the Hong Kong with registration number 1929660 and registered office at 16th – 19th Floors, Prince's Building, 10 Chater Road, Central, Hong Kong (the "**HK Guarantor**");

(4) **RISE IP (CAYMAN) LIMITED**, an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 279695 and registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands (the "**Cayman Guarantor**", and together with the HK Guarantor, the "**Original Offshore Guarantors**" and each an "**Original Offshore Guarantor**");

(5) **RISE (TIANJIN) EDUCATION INFORMATION CONSULTING CO., LTD.** (瑞思(天津)教育信息咨询有限公司), a company incorporated under the laws of the PRC with registered number 120116400010602 (the "**WOFE Guarantor**");

(6) **BEIJING STEP AHEAD EDUCATION TECHNOLOGY DEVELOPMENT CO., LTD.** (北京領語堂教育科技發展有限公司), a company incorporated under the laws of the PRC with registered number 91110105670561149N (the "**VIE Entity**", and together with the **WOFE Guarantor**, the "**Onshore Guarantors**" and each an "**Onshore Guarantor**");

(7) **BAIN CAPITAL RISE EDUCATION IV CAYMAN LIMITED**, an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 280887 and having its registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands (the "**Distribution Account Holder**");

(8) **RISE EDUCATION CAYMAN LTD** (formerly known as **BAIN CAPITAL RISE EDUCATION II CAYMAN LIMITED**), an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 279511 and having its registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands (the "**Original Subordinated Creditor**");

(9) **CTBC BANK CO., LTD.**, as mandated lead arranger (the "**Mandated Lead Arranger**");

(10) **THE FINANCIAL INSTITUTIONS** listed in Schedule 1 (*The Lenders*) as Lenders (as defined in the Original Facility Agreement);

(11) **CTBC BANK CO., LTD.**, as agent of the other Finance Parties (the "**Facility Agent**"); and

(12) **CTBC BANK CO., LTD.**, as security trustee for the Secured Parties (the "**Security Agent**").

WHEREAS

(A) The Lenders made available to the Borrower the Initial Facility in an aggregate principal amount of U.S.$55,000,000 pursuant to the Original Facility Agreement.

(B) As at the date of this Agreement, (1) the principal outstanding amount of the Initial Facility Loan is U.S.$49,500,000 (the "**Original Loan**"), (2) the Lenders party to this Agreement constitute all of the Lenders and all of the Senior Lenders (as defined in the Original Security Trust Agreement) and (3) there is no Hedge Counterparty.

(C) The Parties agree to amend and restate the Original Facility Agreement and the Original Security Trust Agreement, in each case subject to and in accordance with the terms and conditions of this Agreement.

(D) It is intended by the Parties that this Agreement will take effect as a deed despite the fact that a Party may only execute this Agreement under hand.

NOW THIS DEED OF AGREEMENT WITNESSES as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 **Definitions**

In this Agreement:

"**Amended and Restated Facility Agreement**" means the Original Facility Agreement, as amended and restated pursuant to this Agreement.

"**Amended and Restated Security Trust Agreement**" means the Original Security Trust Agreement, as amended and restated pursuant to this Agreement.

"**Amendment Documents**" means:

(a) this Agreement;

(b) the New Arrangement Fee Letter;

(c) the New Syndication Letter;

(d) the Distribution Account Charge;

(e) each Security Confirmation Document; and

(f) each Guarantee Document.

"**Amendment Long-stop Date**" means the date falling two Months after the date of this Agreement.

"**Constitutional Documents**" means, in respect of any person, the certificate of incorporation, the memorandum of association and the articles of association (or, in each case, the equivalent thereof) and any other constitutional documents, including any statutory registers (where applicable) of such person, including any amendments and/or supplements thereto.

"**Distribution Account**" has the meaning given to that term in the Form of Amended and Restated Facility Agreement.

"**Distribution Account Charge**" means the account pledge agreement in respect of the Distribution Account between the Distribution Account Holder and the Security Agent, in form and substance satisfactory to the Security Agent.

"**Effective Date**" has the meaning given to it in Clause 3 (*CP Satisfaction Date*).

"**Effective Time**" has the meaning given to it in Clause 3 (*CP Satisfaction Date*).

"**Facility A**" has the meaning given to that term in the Form of Amended and Restated Facility Agreement.

"**Facility B**" has the meaning given to that term in the Form of Amended and Restated Facility Agreement.

"**Form of Amended and Restated Facility Agreement**" means the form of amended and restated facility agreement as set out in Schedule 3 (*Amended and Restated Facility Agreement*) or, with effect from the execution thereof, the Amended and Restated Facility Agreement.

"**Guarantee Documents**" means:

(a) the amendment agreement to the Guarantee (WOFE Guarantor) dated on or about the date of this Agreement between the WOFE Guarantor and the Security Agent; and

(b) the guarantee dated on or about the date of this Agreement between the VIE Entity and the Security Agent.

"**Guarantee Obligations**" means the guarantee and indemnity obligations of each of the Guarantors contained in:

(a) (at all times prior to the Effective Time on the Effective Date) the Original Facility Agreement; and

(b) (with effect from and including the Effective Time on the Effective Date) the Amended and Restated Facility Agreement.

"**Listco**" has the meaning given to that term in the Amended and Restated Facility Agreement.

"**New Arrangement Fee Letter**" means the fee letter dated on or about the date of this Agreement from the Mandated Lead Arranger to the Borrower.

"**New Syndication Letter**" means the syndication letter dated on or about the date of this Agreement from the Mandated Lead Arranger to the Borrower.

"**Original Facility Agreement**" means the facility agreement dated 14 July 2016 between, among others, the Borrower, the Facility Agent and the Security Agent (as amended and/or supplemented from time to time prior to the date of this Agreement).

"**Original Security Trust Agreement**" means the security trust agreement dated 14 July 2016 and made between, among others, the Borrower, ParentCo and the Security Agent (as amended and/or supplemented from time to time prior to the date of this Agreement).

"**Party**" means a party to this Agreement.

"**PRC**" means the People's Republic of China (which, for the purposes of this Agreement, does not include Hong Kong, the Special Administrative Region of Macau or Taiwan).

"**Relevant Transaction Obligors**" means the Borrower, the Original Offshore Guarantors, the Onshore Guarantors and the Distribution Account Holder.

"**Security Confirmation Documents**" means the deeds of confirmation and confirmation agreements set out in paragraph 2(d) of Schedule 2 (*Conditions Precedent*) (each a "**Security Confirmation Document**").

1.2 **Incorporation of defined terms**

(a) Unless otherwise defined herein or the context otherwise requires, words and expressions defined in or construed for the purposes of the Original Facility Agreement shall have the same meaning in this Agreement.

(b) Unless a contrary indication appears, the rules of construction set out in clauses 1.2 (*Construction*) and 1.3 (*Currency symbols and definitions*) of the Original Facility Agreement shall apply to this Agreement *mutatis mutandis*.

1.3 **Clauses**

In this Agreement any reference to a "Clause" or a "Schedule" is, unless the context otherwise requires, a reference to a Clause in or a Schedule to this Agreement.

1.4 **Third party rights**

(a) Unless expressly provided to the contrary in this Agreement, a person who is not a party to this Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce or to enjoy the benefit of any term of this Agreement.

(b) Notwithstanding any term of any Finance Document, the consent of any person who is not a party to this Agreement is not required to rescind or vary this Agreement at any time.

1.5 **Designation**

In accordance with the Original Facility Agreement, each of the Borrower and the Facility Agent designates this Agreement as a Finance Document. Accordingly this Agreement constitutes a Senior Facility Finance Document (as defined in the Original Security Trust Agreement) and a Debt Document (as defined in the Original Security Trust Agreement).

1.6 **Capacities**

For the avoidance of doubt, for the purposes of amending and/or restating the Original Facility Agreement and the Original Security Trust Agreement pursuant to this Agreement, each Party that is a party to any of the Original Facility Agreement or the Original Security Trust Agreement is entering into this Agreement in each capacity that it has under the Original Facility Agreement and/or the Original Security Trust Agreement.

2. **REPRESENTATIONS**

(a) Each of the Relevant Transaction Obligors (other than the Distribution Account Holder) makes in favour of each of the Finance Parties, the representations and warranties set out in clause 20 (*Representations and warranties*) of the Form of Amended and Restated Facility Agreement on the date of this Agreement and on the Effective Date, in each case by reference to the facts and circumstances then existing and as if any reference therein to "this Agreement" and/or any other Finance Document (as defined in the Form of Amended and Restated Facility Agreement) included a reference to each of the Amendment Documents and as if each such Relevant Transaction Obligor were party thereto as an Obligor (as defined in the Form of Amended and Restated Facility Agreement).

(b) Each of the Original Subordinated Creditor and the Distribution Account Holder makes in favour of each of the Finance Parties the following representations and warranties on the date of this Agreement and on the Effective Date, in each case by reference to the facts and circumstances then existing:

(i) it is a limited liability corporation or company, duly incorporated and validly existing (and, if incorporated or established in the Cayman Islands, in good standing) under the laws of its jurisdiction of incorporation;

(ii) the obligations expressed to be assumed by it in this Agreement and (in the case of the making of the representation or warranty under this paragraph (ii) on the Effective Date) the Amended and Restated Security Trust Agreement are, subject to the Legal Reservations, legal, valid, binding and enforceable obligations; and

(iii) the entry into and performance by it of, and the transactions contemplated by, this Agreement or (in the case of the making of the representation or warranty under this paragraph (iii) on the Effective Date) the Amended and Restated Security Trust Agreement does not conflict with:

(A) any applicable law or regulation;

(B) its Constitutional Documents; or

(C) any agreement or instrument binding upon it or any of its assets or constitute a default or termination event (however described) under any such agreement or instrument.

3. **CP SATISFACTION DATE**

(a) Upon receipt by the Facility Agent of each of the documents and other evidence listed in Schedule 2 (*Conditions Precedent*) (in each case, in form and substance satisfactory to the Facility Agent), provided that the time of such receipt falls on or prior to the Amendment Long-stop Date, the Facility Agent shall notify the Lenders and the Borrower of such receipt (the date on which such notification is given by the Facility Agent being the "**Effective Date**" and the time of such date at which such notification is given by the Facility Agent being the "**Effective Time**").

(b) Other than to the extent that the Mandated Lead Arranger notifies the Facility Agent in writing to the contrary before the Facility Agent gives the notification described in paragraph (a) above, the Lenders authorise (but do not require) the Facility Agent to give that notification on or prior to the Amendment Long-stop Date. The Facility Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4. **AMENDMENT AND RESTATEMENT**

(a) With effect from the Effective Time on the Effective Date:

(i) the Original Facility Agreement shall be amended and restated so that it shall be read and construed for all purposes as set out in Schedule 3 (*Amended and Restated Facility Agreement*);

(ii) the Original Security Trust Agreement shall be amended and restated so that it shall be read and construed for all purposes as set out in Schedule 4 (*Amended and Restated Security Trust Agreement*);

(iii) the Distribution Account Holder shall become party to the Amended and Restated Security Trust Agreement as an Original Debtor (as defined in the Amendment and Restated Security Trust Agreement).

(b) Each of the Amended and Restated Facility Agreement and the Amended and Restated Security Trust Agreement governs the rights and obligations of each of the parties thereto immediately with effect from the Effective Time on the Effective Date.

(c) With effect from the Effective Time on the Effective Date, the Original Loan shall constitute a Facility A Loan (as defined in the Amended and Restated Facility Agreement) (the "**Continued Facility A Loan**"), and each Lender's participation in the Original Loan (immediately prior to the Effective Time on the Effective Date) shall constitute a participation in such Continued Facility A Loan, (in each case) in accordance with paragraph (b) of clause 2.1 (*The Facilities*) of the Amended and Restated Facility Agreement.

5. **CHANGES TO PARTIES**

At all times from and including the date of this Agreement to the earlier of (A) the Effective Time on the Effective Date or (B) the Amendment Long-stop Date:

(a) no person shall accede to the Original Facility Agreement as a Hedge Counterparty or an Additional Guarantor or accede to the Original Security Trust Agreement as a Hedge Counterparty (as defined in the Original Security Trust Agreement), a Debtor (as defined in the Original Security Trust Agreement), an Intra-Group Lender (as defined in the Original Security Trust Agreement) or a Subordinated Creditor (as defined in the Original Security Trust Agreement), unless such person shall have become party to this Agreement pursuant to documentation satisfactory to the Facility Agent to ensure that such person becomes party to and bound by the terms of this Agreement as a Party and (1) (in the case of a Hedge Counterparty or a Hedge Counterparty (as defined in the Original Security Trust Agreement)) as a Finance Party or (2) (in the case of an Additional Guarantor, a Debtor (as defined in the Original Security Trust Agreement) or an Intra-Group Lender (as defined in the Original Security Trust Agreement)) as a Relevant Transaction Obligor or (3) (in the case of a Subordinated Creditor (as defined in the Original Security Trust Agreement)) as an Original Subordinated Creditor;

(b) upon any assignment or transfer by any Lender of its Commitment in respect of the Initial Facility or its participation in the Initial Facility Loan (or any part thereof) to any person (a "**Lender Transferee**") (the amount of such Commitment so assigned or transferred being the "**Transferred Commitment**" of such Lender), the Parties agree to (upon the request of such Lender) amend this Agreement so that (i) such Lender Transferee shall become party hereto as a Lender, (ii) the "Facility A Commitment" (as defined in the Form of Amended and Restated Facility Agreement) of such Lender as stated in part I of schedule 1 (*The Original Parties*) to the Form of Amended and Restated Facility Agreement is reduced by the amount of such Transferred Commitment, and (iii) such Lender Transferee shall be included in part I of schedule 1 (*The Original Parties*) to the Form of Amended and Restated Facility Agreement with a "Facility A Commitment" (as defined in the Form of Amended and Restated Facility Agreement) equal to the amount of such Transferred Commitment (in addition to the amount of any other Facility A Commitment (as defined in the Form of Amended and Restated Facility Agreement) that such Lender Transferee is already expressed to have in the Form of Amended and Restated Facility Agreement); and

(c) no person shall accede to the Original Facility Agreement as an Incremental Facility Original Lender in respect of any Incremental Facility and no Incremental Facility Notice may be delivered under the Original Facility Agreement.

6. CONTINUITY AND FURTHER ASSURANCE

6.1 Continuing obligations

(a) The provisions of the Original Facility Agreement and the Original Security Trust Agreement (in each case, as amended and restated pursuant to this Agreement) shall continue in full force and effect. The provisions of each other Finance Document and (without prejudice to the foregoing) any Security constituted thereby shall continue in full force and effect.

(b) For the avoidance of doubt, neither the execution and delivery of this Agreement and/or any other Amendment Document nor the amendments contemplated under this Agreement shall in any way affect the accrued rights of the Finance Parties or the Secured Parties under the Finance Documents on or prior to the Effective Date (including with respect to any representations and warranties made under the Original Facility Agreement, the Original Security Trust Agreement and/or any other Finance Document prior to the Effective Date).

6.2 Confirmation of Guarantee Obligations

Without prejudice to Clause 6.1 (*Continuing obligations*), each Guarantor confirms for the benefit of the Finance Parties that all of its Guarantee Obligations shall (a) remain in full force and effect notwithstanding the amendments referred to in Clause 4 (*Amendment and Restatement*) and (b) extend to any new or additional obligations assumed by any Relevant Transaction Obligor under the Finance Documents as a result of this Agreement and/or the other Amendment Documents (including under the Amended and Restated Facility Agreement, the Amended and Restated Security Trustee Agreement, the New Arrangement Fee Letter and the New Syndication Letter).

6.3 Further assurance

Each of the Relevant Transaction Obligors and the Original Subordinated Creditor shall, at the request of the Facility Agent or the Security Agent and at its own expense, do all such acts and things necessary to give effect to the provisions of, and the amendment and restatement of the Original Facility Agreement and the Original Security Trust Agreement effected or to be effected pursuant to, this Agreement.

7. COSTS AND EXPENSES

(a) The Borrower shall, within five Business Days of written demand (which demand must be accompanied by reasonable details and calculations of the amount demanded) pay each of the Facility Agent, the Mandated Lead Arranger and the Security Agent the amount of all costs and expenses (including legal fees) reasonably incurred by any of them (and, in the case of the Security Agent, by any Receiver or Delegate) in connection with the negotiation, preparation, printing and execution of this Agreement and any other documents referred to in this Agreement.

(b) In the event that the Effective Date does not occur, the Borrower shall only be liable for the Finance Parties' legal advisors' fees and the Finance Parties' costs and expenses up to caps separately agreed between the Mandated Lead Arranger and the Sponsor or the Borrower. No such legal fees or costs or expenses will be paid or reimbursed by the Borrower pursuant to this paragraph (b) until the Borrower and the Mandated Lead Arranger determine (acting reasonably) that the Effective Date is reasonably unlikely to occur on or prior to the Amendment Long-stop Date.

8. MISCELLANEOUS

8.1 Governing law

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

8.2 Incorporation of terms

The provisions of clause 33 (*Notices*), clause 35 (*Partial invalidity*), clause 36 (*Remedies and waivers*) and clause 41 (*Enforcement*) of the Original Facility Agreement shall apply to this Agreement *mutatis mutandis* as if references therein to "this Agreement" or any Finance Document were references to this Agreement and as if each of the Relevant Transaction Obligors and the Original Subordinated Creditor were party thereto as an Obligor and as if the initial email address, address and fax number (and attention details) of such Relevant Transaction Obligor or such Original Subordinated Creditor for the purpose of clause 33.2 (*Addresses*) of the Original Facility Agreement (applying *mutatis mutandis*) were those identified with its name on the signature pages of this Agreement.

8.3 Amendments and waivers

(a) Clause 37 (*Amendments and waivers*) of the Original Facility Agreement shall apply to this Agreement *mutatis mutandis* (and for the purposes of any amendment or waiver relating to this Agreement, clause 37.3 (*All Lender matters*) of the Original Facility Agreement shall apply *mutatis mutandis* as if any reference therein to "Availability Period", "Commitment", "Facility", "Finance Documents", "Margin", "Total Commitments" and other capitalised terms shall also include a reference to such terms as defined in the Amended and Restated Facility Agreement).

(b) Notwithstanding this Agreement and the execution of this Agreement as a deed, nothing shall prejudice (a) the ability of the parties to the Amendment and Restated Facility Agreement to amend or vary the provisions thereof in accordance with the terms thereof without any requirement of any Party (that is not a party to the Amendment and Restated Facility Agreement) to execute any such amendment or variation and without any requirement for such amendment or variation to be by way of a deed or (b) the ability of the parties to the Amendment and Restated Security Trust Agreement to amend or vary the provisions thereof in accordance with the terms thereof without any requirement of any Party (that is not a party to the Amendment and Restated Security Trust Agreement) to execute any such amendment or variation.

8.4 **Counterparts**

This Agreement may be executed in any number of counterparts, and this has the same effect as if the execution on such counterparts were on a single copy of this Agreement.

This Agreement has been entered into by the parties hereto and executed as a deed by each of the Borrower, ParentCo, the Cayman Guarantor, the HK Guarantor, the WOFE Guarantor, the VIE Entity, the Distribution Account Holder and the Original Subordinated Creditor is intended to be and is delivered by each of them as a deed.

SCHEDULE 1
THE LENDERS

CTBC Bank Co., Ltd.
E. SUN Commercial Bank, Ltd.
Yuanta Commercial Bank Co., Ltd.

SCHEDULE 2
CONDITIONS PRECEDENT

1. **Relevant Transaction Obligors**

(a) A copy of the Constitutional Documents of each Relevant Transaction Obligor including:

(i) (if applicable) its statutory registers (including its register of directors, its register of members and its register of mortgages and charges);

(ii) (in the case of the HK Guarantor) a copy of its current business registration certificate; and

(iii) (in relation to each of the WOFE Guarantor and the VIE Entity), a copy of its business licence and certificate of approval (if applicable),

or, other than in the case of the Distribution Account Holder, a certificate of such Relevant Transaction Obligor confirming that copies of the Constitutional Documents of such Relevant Transaction Obligor that have previously been delivered to the Facility Agent pursuant to part II of schedule 2 (*Conditions precedent*) to the Original Facility Agreement remain true, complete and up-to-date and that such Constitutional Documents have not been amended or supplemented and remain in full force and effect.

(b) A certificate of good standing in respect of each Relevant Transaction Obligor issued by the Registrar of Companies of the Cayman Islands (if such Relevant Transaction Obligor is incorporated in the Cayman Islands) and dated no more than four weeks before the date on which the legal opinions referred to in paragraph 5 below are issued.

(c) In respect of each Relevant Transaction Obligor, a copy of a resolution of the board of directors of such Relevant Transaction Obligor (in the case of any Relevant Transaction Obligor other than the VIE Entity) or a copy of the decision signed by all of the holders of the issued shares or equity interests in the VIE Entity (in the case of the VIE Entity), in each case:

(i) approving the terms of, and the transactions contemplated by, the Amendment Documents to which it is a party and resolving that it execute the Amendment Documents to which it is a party;

(ii) authorising a specified person or persons to execute the Amendment Documents to which it is a party on its behalf; and

(iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices to be signed and/or despatched by it under or in connection with the Amendment Documents or the Amendment Documents to which it is a party.

(d) A specimen of the signature of each person authorised by any resolution referred to in paragraph (c) above.

(e) In respect of each Relevant Transaction Obligor (other than ParentCo, the Borrower and the Distribution Account Holder), a copy of a resolution signed by all the holders of the issued shares in such Relevant Transaction Obligor (or, in the case of the WOFE Guarantor, a decision signed by all the holders of the issued shares and equity interests in the WOFE Guarantor) , approving the terms of, and the transactions contemplated by, the Amendment Documents to which such Relevant Transaction Obligor is a party.

(f) A certificate from each Relevant Transaction Obligor (signed by a director thereof) confirming that the borrowing, guaranteeing or securing, as appropriate, the Total Commitments (as defined in the Form of Amended and Restated Facility Agreement) would not cause any borrowing, guarantee, security or similar limit binding on such Relevant Transaction Obligor to be exceeded.

(g) A certificate of an authorised signatory of each Relevant Transaction Obligor certifying that each copy document relating to it (or, in the case of the Borrower, each other copy document) specified in this Schedule 2 is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of this Agreement.

2. **Amendment Documents**

(a) This Agreement duly executed by the parties thereto.

(b) The New Arrangement Fee Letter duly executed by the parties thereto.

(c) The New Syndication Letter duly executed by the parties thereto.

(d) The following deeds of confirmation or, as the case may be, confirmation agreements:

(i) a deed of confirmation between ParentCo, the Borrower and the Security Agent in respect of the Share Charge (Borrower) and the Share Charge (Cayman Guarantor), duly executed by the parties thereto;

(ii) a deed of confirmation between the Borrower and the Security Agent in respect of the Share Charge (HK Guarantor), duly executed by the parties thereto;

(iii) a deed of confirmation between the Borrower and the Security Agent in respect of the Debenture (Borrower), duly executed by the parties thereto;

(iv) a deed of confirmation between the HK Guarantor and the Security Agent in respect of the Debenture (HK Guarantor), duly executed by the parties thereto;

(v) a deed of confirmation between the Cayman Guarantor and the Security Agent in respect of the Debenture (Cayman Guarantor), duly executed by the parties thereto;

(vi) a confirmation agreement between the HK Guarantor and the Security Agent in respect of the Equity Pledge (WOFE Guarantor), duly executed by the parties thereto;

(vii) a confirmation agreement between the Borrower and the Security Agent in respect of the Account Pledge Agreement (relating to accounts of the Borrower), duly executed by the parties thereto;

(viii) a confirmation agreement between the HK Guarantor and the Security Agent in respect of the Account Pledge Agreement (relating to accounts of the HK Guarantor), duly executed by the parties thereto; and

(ix) a confirmation agreement between the Cayman Guarantor and the Security Agent in respect of the Account Pledge Agreement (relating to accounts of the Cayman Guarantor), duly executed by the parties thereto.

(e) The Distribution Account Charge duly executed by the parties thereto.

(f) The Guarantee Documents duly executed by the parties thereto.

(g) A copy of all notices required to be sent, and acknowledgments thereto required to be delivered, under the Distribution Account Charge executed by the applicable parties as required by the Distribution Account Charge (where such notices and acknowledgments are required to be delivered on the date of execution of the Distribution Account Charge or otherwise before the Effective Date).

(h) All documents of title and deliverables required to be provided under the Distribution Account Charge upon execution of the Distribution Account Charge or otherwise prior to the Effective Date.

3. **VIE Documents**

A certificate of the Borrower attaching a copy of each up-to-date VIE Contract, in each case, together with all amendments and supplements thereto or a certificate of the Borrower confirming that the copy of each VIE Contract (together with any amendments and supplements thereto) that has previously been delivered to the Facility Agent pursuant to the Original Facility Agreement remains true, complete and up-to-date and that each such VIE Contract has not been further amended or supplemented and remain in full force and effect.

4. **Distribution Account**

Evidence that the Distribution Account has been established and designated as such.

5. **Legal opinions**

The following legal opinions:

(a) a legal opinion in relation to English law from Clifford Chance as to English law;

(b) a legal opinion in relation to the laws of Hong Kong from Clifford Chance as to the laws of Hong Kong;

(c) a legal opinion of Harney Westwood & Riegels as to the laws of the Cayman Islands;

(d) a legal opinion of Jun He Law Offices as to the laws of the PRC; and

(e) a legal opinion of Baker & McKenzie, Taipei as to the laws of Taiwan.

6. **Other documents and evidence**

(a) Evidence that the process agent referred to in the Form of Amended and Restated Facility Agreement and/or required to be appointed under any of the Transaction Security Documents (as defined in the Form of Amended and Restated Facility Agreement) and/or required to be appointed under any of the other Amendment Documents confirming it has accepted its appointment.

(b) An up-to-date Group Structure Chart.

(c) An updated financial model including profit and loss, balance sheet and cashflow projections in agreed form relating to the Group.

(d) A written agreement between the Distribution Account Holder and each other holder of Equity Interest in Listco in relation to any amount from time to time standing to the credit of the Distribution Account (including any proceeds of Facility B paid or transferred into the Distribution Account) in the agreed form.

(e) Evidence that the fees, costs and expenses then due from the Borrower pursuant to the New Arrangement Fee Letter and/or Clause 7 (*Costs and Expenses*) have been or will be paid on or prior to the Effective Date.

FACILITIES AGREEMENT

dated 14 July 2016
(as amended and restated on 19 September 2017)

for

RISE EDUCATION CAYMAN I LTD

arranged by
CTBC BANK CO., LTD.

as Mandated Lead Arranger

with

CTBC BANK CO., LTD.
as Facility Agent

and

CTBC BANK CO., LTD.
as Security Agent

CONTENTS

THE SCHEDULES

THIS AGREEMENT is dated 14 July 2016 and amended and restated on 19 September 2017 and made between:

1. **RISE EDUCATION CAYMAN I LTD** (formerly known as Bain Capital Rise Education Cayman Limited), an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 278734 and registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands (the "**Borrower**");

2. **BAIN CAPITAL RISE EDUCATION (HK) LIMITED,** a company incorporated under the laws of Hong Kong with registration number 1929660 and registered office at 16th – 19th Floors, Prince's Building, 10 Chater Road, Central, Hong Kong (the "**HK Guarantor**");

3. **RISE IP (CAYMAN) LIMITED,** an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 279695 and registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands (the "**Cayman Guarantor**", and together with the HK Guarantor, the "**Original Offshore Guarantors**");

4. **CTBC BANK CO., LTD.** as mandated lead arranger (the "**Mandated Lead Arranger**");

5. **THE FINANCIAL INSTITUTIONS** listed in Part I of Schedule 1 (*The Original Parties*) as lenders (the "**Original Lenders**");

6. **CTBC BANK CO., LTD.**, as agent of the other Finance Parties (the "**Facility Agent**"); and

7. **CTBC BANK CO., LTD.**, as security trustee for the Secured Parties (the "**Security Agent**").

IT IS AGREED as follows:

SECTION 1
INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"**Acceleration Event**" has the meaning given to that term in the Security Trust Agreement.

"**Acceptable Bank**" means:

(a) a bank or financial institution which has a rating for its long-term unsecured and non credit-enhanced debt obligations of A- or higher by Standard & Poor's Rating Services or Fitch Ratings Ltd or A3 or higher by Moody's Investors Service Limited or a comparable rating from an internationally recognised credit rating agency;

(b) the Mandated Lead Arranger; or

(c) any other bank or financial institution approved by the Facility Agent.

"**Acceptable Funding Sources**" means:

(a) New Shareholder Injections;

(b) Flotation Proceeds received by the Group and not required to be applied in prepayment pursuant to Clause 8.1 (*Exit and Flotation*);

(c) amounts received by Group Members from persons that are Group Members by way of indemnity, compensation or otherwise (in each case, in the nature of insurance, condemnation proceeds or similar payments) and not required to be applied on prepayment of any Facility; and

(d) (only for the purposes of paragraph (e)(iv) of the definition of "Permitted Acquisition") proceeds of Permitted Financial Indebtedness (incurred by any Group Member from any person that is not a Group Member) and any Incremental Facility.

"**Accession Deed**" means a document substantially in the form set out in Schedule 7 (*Form of Accession Deed*).

"**Account Pledge Agreement**" means an account pledge agreement between a Relevant Obligor and the Security Agent, in form and substance satisfactory to the Security Agent.

"**Accounting Principles**" mean generally accepted accounting principles in the US.

"**Additional Guarantor**" means a person which becomes party hereto as a "Guarantor" in accordance with Clause 27 (*Changes to the Obligors*).

"**Additional Guarantor Notice**" has the meaning given to that term in Clause 27 (*Changes to the Obligors*).

"**Affiliate**" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"**All-In Yield**" means, as to any Financial Indebtedness, the yield thereof, whether in the form of interest rate, margin, original issue discount, upfront fees or otherwise, in each case, incurred in favour of or payable to any or all of the lenders or creditors (or any class of such lenders or creditors) of such Financial Indebtedness from time to time; **provided that** for the purposes of such calculation, any original issue discount or upfront fees in respect of any Financial Indebtedness shall be equated to interest rate by dividing the amount of such original issue discount or upfront fees by the Weighted Average Life to Maturity in respect of such Financial Indebtedness.

"**Amendment and Restatement Date**" means September 2017.

"**Amendment and Restatement Agreement**" means the amendment and restatement agreement dated the Amendment and Restatement Date between, among others, the Borrower, the Facility Agent and the Security Agent.

"**Amendment and Restatement Effective Date**" has the meaning given to the term "Effective Date" in the Amendment and Restatement Agreement.

"**Annual Financial Statements**" has the meaning given to that term in Clause 21 (*Information undertakings*).

"**Anti-Money Laundering Laws**" means all applicable financial recordkeeping and reporting requirements, and the applicable anti-money laundering statutes of jurisdictions where any Total Transaction Obligor or any Group Member conducts business and/or where any of the foregoing is incorporated or organised, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, which in each case are issued, administered or enforced by any Governmental Authority from time to time.

"**Assignment Agreement**" means, in relation to any assignment by any Lender of any or all of its rights under this Agreement, an agreement substantially in the form set out in Schedule 6 (*Form of Assignment Agreement*) or any other form agreed between the relevant assignor and the relevant assignee, **provided that** if that other form does not contain the undertakings set out in the form set out in Schedule 6 (*Form of Assignment Agreement*) it shall not be a Creditor Accession Undertaking as defined in, and for the purposes of, the Security Trust Agreement.

"**Auditors**" means one of the Big Four or any other auditor approved in writing by the Majority Lenders (such approval not to be unreasonably withheld or delayed).

"**Authorisation**" means:

(a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration; or

(b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Authority intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

"**Availability Period**" means:

(a) in relation to a Term Facility, the period from and including the Amendment and Restatement Date to and including the date falling two Months after the Amendment and Restatement Date; or

(b) in relation to any Incremental Facility, the period from and including the date of the Incremental Facility Notice (with respect to such Incremental Facility) to and including the last day of the "Availability Period" (in respect of such Incremental Facility) specified in such Incremental Facility Notice in accordance with Clause 2.5 (*Incremental Facilities*).

"**Available Commitment**" means at any time in relation to a Lender and a Facility and save as otherwise provided in this Agreement, that Lender's Commitment in respect of that Facility minus:

(a) the aggregate amount of its participation in any outstanding Loan under that Facility (for such purpose taking into account the principal amount of each Loan under that Facility when it is made and disregarding any subsequent reduction in such principal amount); and

(b) (in relation to any proposed Utilisation under that Facility) its participation in any Loan(s) (other than the Loan that is the subject of such proposed Utilisation) that are due to be made under that Facility on or before the proposed Utilisation Date.

"**Available Facility**" means, in relation to a Facility, the aggregate for the time being of each Lender's Available Commitment in respect of that Facility.

"**Base Case Model**" means the financial model including profit and loss, balance sheet and cashflow projections in agreed form relating to the Group delivered or to be delivered by the Borrower to the Facility Agent pursuant to the Amendment and Restatement Agreement on or before the Amendment and Restatement Effective Date.

"**Base Financial Statements**" has the meaning given to that term in Clause 21.3 (*Requirements as to financial statements*).

"**Big Four**" means PricewaterhouseCoopers, Ernst & Young, KPMG or Deloitte & Touche (or any local affiliate or amalgamation of the same or their successors).

"**Borrowings**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**Break Costs**" means the amount (if any) by which:

(a) the interest (excluding any portion thereof attributable to the Margin) which a Lender should have received for the period from the date of such receipt or recovery of all or any part of its participation in a Loan or an Unpaid Sum to the last day of the current Interest Period in respect of that Loan or that Unpaid Sum, had the principal amount of that Lender's participation in that Loan or that Unpaid Sum received or recovered been paid on the last day of that Interest Period;

exceeds:

(b) the amount which that Lender would be able to obtain by placing an amount equal to the principal amount of that Lender's participation in that Loan or that Unpaid Sum received or recovered by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following such receipt or recovery and ending on the last day of the current Interest Period for that Loan or that Unpaid Sum.

"**Business Day**" means:

(a) for the purpose of determining LIBOR, a day (other than a Saturday or Sunday) on which banks are open for transaction of domestic and foreign exchange business in London;

(b) for the purpose of payment of amounts under the Finance Documents, a day (other than a Saturday or Sunday) on which banks are open for the transaction of domestic and foreign exchange business in New York; and

(c) for all purposes, a day (other than a Saturday or Sunday) on which banks are open for general business in Hong Kong, Taipei and the PRC.

"**Capital Expenditure**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**Cash**" means, at any time, cash in hand or at bank and (in the latter case) credited to an account in the name of a Group Member with an Acceptable Bank and to which a Group Member is alone (or together with other Group Members) beneficially entitled and for so long as:

(a) that cash is repayable within 30 days after the relevant date of calculation;

(b) repayment of that cash is not contingent on the prior discharge of any other Financial Indebtedness of any Group Member or of any other person whatsoever or on the satisfaction of any other condition outside the control of the Group Members;

(c) there is no Security or Quasi-Security over that cash except for (i) any Permitted Security falling under any of paragraphs (a), (b), (c), (d), (j) and (k) of the definition of Permitted Security or (ii) any other Permitted Security securing any Permitted Financial Indebtedness constituting part of the Borrowings of the Group; and

(d) that cash is denominated in US dollars, RMB, or other freely transferable and freely convertible currency and (except as mentioned in paragraphs (a) and/or (c) above) immediately available to the applicable Group Member (or, in the case of any term deposit, available at the expiry of the applicable term of such deposit or at any time subject to any loss of interest upon breaking the applicable term of such deposit),

and shall include cash in tills and cash in transit.

"**Cash Equivalent Investments**" means at any time of determination:

(a) deposits, certificates of deposit or bankers' acceptances, in each case, maturing within one year after the date of such determination and made with or issued by an Acceptable Bank;

(b) securities and other investments in marketable debt obligations issued by or guaranteed by the government of the United States of America, the United Kingdom, Hong Kong, Japan or any Participating Member State or by an instrumentality or agency of any of them having an equivalent credit rating, maturing within one year after the date of such determination and not convertible or exchangeable to any other security;

(c) commercial paper not convertible or exchangeable to any other security:

(i) for which a recognised trading market exists;

(ii) issued by an issuer incorporated in the United States of America, the United Kingdom or any Participating Member State;

(iii) which matures within one year after the date of such determination; and

(iv) which has a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investors Service Limited, or, if no rating is available in respect of that commercial paper, the issuer of which has, in respect of its long-term unsecured and non-credit enhanced debt obligations, an equivalent rating;

(d) sterling bills of exchange eligible for rediscount at the Bank of England and accepted by an Acceptable Bank (or their dematerialised equivalent);

(e) any investment in money market funds which (i) have a credit rating of either A-1 or higher by Standard & Poor's Rating Services or F1 or higher by Fitch Ratings Ltd or P-1 or higher by Moody's Investor Services Limited, (ii) invest substantially all their assets in securities of the types described in paragraphs (a) to (d) above and (iii) can be turned into cash on not more than 90 days' notice; or

(f) any other investment approved by the Majority Lenders (acting reasonably), in each case to which any Group Member is alone (or together with other Group Members) beneficially entitled at that time and which is not issued or guaranteed by any Transaction Obligor or any Group Member or subject to any Security or Quasi-Security (other than Security arising under the Transaction Security Documents).

"CEO"means the chief executive officer of the Group for the time being (or such person(s) undertaking such equivalent role from time to time).

"**Change of Control**" means:

(a) at any time prior to the occurrence of a Qualifying Flotation, the Sponsor:

(i) does not or ceases to beneficially own, directly or indirectly, at least 50.1 per cent. of the voting share capital in the Borrower; or

(ii) does not or ceases to have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise), directly or indirectly, to appoint the majority of the directors or other equivalent officers of the Borrower (carrying the majority of the voting powers of the directors of the Borrower); or

(b) at any time following the occurrence of a Qualifying Flotation:

(i) the Sponsor does not or ceases to beneficially own, directly or indirectly, more than 25 per cent. of the voting share capital in the Borrower; or

(ii) any person or persons acting in concert beneficially own or acquire, directly or indirectly, (A) an aggregate percentage of issued shares (of any class) in the Borrower that is equal to or greater than the aggregate percentage of issued shares (of such class) in the Borrower beneficially owned, directly or indirectly, by the Sponsor or (B) an aggregate percentage of voting interests in the Borrower that is equal to or greater than the aggregate percentage of voting interests in the Borrower beneficially owned, directly or indirectly, by the Sponsor;

(c) at any time prior to a Qualifying Flotation in respect of the Borrower, the Parent:

(i) does not or ceases to directly beneficially own 100% of the Equity Interests in the Borrower;

(ii) does not or ceases to directly beneficially own 100% of the voting interests in the Borrower; or

(iii) does not or ceases to have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise), to directly appoint all of the directors or other equivalent officers of the Borrower;

(d) at any time, the Borrower:

(i) does not or ceases to directly beneficially own 100% of the Equity Interests in each of the HK Guarantor and the Cayman Guarantor;

(ii) does not or ceases to directly beneficially own 100% of the voting interests in each of the HK Guarantor and the Cayman Guarantor; or

(iii) does not or ceases to have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise), to directly appoint all of the directors or other equivalent officers of each of the HK Guarantor and the Cayman Guarantor;

(e) at any time the HK Guarantor:

(i) does not or ceases to directly beneficially own 100% of the Equity Interests in the WOFE Guarantor;

(ii) does not or ceases to directly beneficially own 100% of the voting interests in the WOFE Guarantor; or

(iii) does not or ceases to have the power (whether by way of ownership of equity interests, proxy, contract, agency or otherwise), to directly appoint all of the directors or other equivalent officers of the WOFE Guarantor; or

(f) at any time the VIE Nominees, in the aggregate:

(i) do not or cease to directly beneficially own 100% of the Equity Interests in the VIE Entity;

(ii) do not or cease to directly beneficially own 100% of the voting interests in the VIE Entity; or

(iii) do not or cease to have the power (whether by way of ownership of equity interests, proxy, contract, agency or otherwise), to directly appoint all of the directors or other equivalent officers of the VIE Entity,

(in each case) subject to the VIE Structure Documents.

"**Charged Property**" means all of the assets of the Total Transaction Obligors which from time to time are, or are expressed to be, the subject of the Transaction Security.

"**Chief Financial Officer**" means the chief financial officer (or equivalent officer, as appropriate) from time to time of the Borrower.

"**Code**" means the U.S. Internal Revenue Code of 1986.

"**Commitment**" means any Facility A Commitment, Facility B Commitment or Incremental Facility Commitment (and "**Commitment**" in respect of (a) Facility A means a Facility A Commitment, (b) Facility B means a Facility B Commitment, or (c) any Incremental Facility means an Incremental Facility Commitment in respect of such Incremental Facility).

"**Competitor**" means any person or entity (other than a Group Member) principally engaged in the business of providing English language education and training in Greater China and each Affiliate of such person or entity engaged in such activities.

"**Compliance Certificate**" means a certificate substantially in the form set out in Schedule 8 (*Form of Compliance Certificate*) or any other form agreed between the Facility Agent and the Borrower.

"**Confidential Information**" means all information relating to the Sponsor, the Parent, any Transaction Obligor, the Group, the Finance Documents or any Facility of which a Finance Party becomes aware in its capacity as, or for the purpose of becoming, a Finance Party or which is received by a Finance Party in relation to, or for the purpose of becoming a Finance Party under, the Finance Documents or any Facility from either:

(a) the Sponsor, any Transaction Obligor or any Group Member or any of its advisers; or

(b) another Finance Party, if the information was obtained by that Finance Party directly or indirectly from the Sponsor, any Transaction Obligor or any Group Member or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(i) is or becomes public information other than as a direct or indirect result of any breach by that Finance Party of Clause 38 (*Confidentiality*); or

(ii) is identified in writing at the time of delivery as non-confidential by the Sponsor, any Transaction Obligor or any Group Member or any of its advisers; or

(iii) is known by that Finance Party before the date such information is disclosed to it in accordance with paragraph (a) or (b) above or is lawfully obtained by that Finance Party after that date, from a source which is, as far as that Finance Party is aware, unconnected with any Transaction Obligor or the Group and which, in either case, has not been obtained by that Finance Party pursuant to or in connection with that Finance Party's evaluation of the Finance Documents and as far as that Finance Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality with respect to such information.

"**Confidentiality Undertaking**" means a confidentiality undertaking substantially in a recommended form of the LMA as set out in Schedule 9 (*LMA Form of Confidentiality Undertaking*) or in any other form agreed between the Borrower and the Facility Agent.

"**Conflicted Lender**" means any Lender (which term, for the purposes of this definition shall include any Affiliate of that Lender) which is or is acting on behalf of (including in its capacity as the grantor of Voting Participation or any other agreement pursuant to which voting rights of such Lender under the Finance Documents may pass):

(a) a Competitor;

(b) a investor or equity holder in a Competitor which (in each case) has Control over such Competitor; or

(c) an adviser to any such person referred to in paragraphs (a) or (b) above,

in each case whether before or after such person becomes a Lender and including where a Lender notifies the Agent that it is such (in a Transfer Certificate or otherwise) and where it has been notified as such to the Agent by the Borrower (acting reasonably and in good faith), **provided that** a Lender will not be deemed to be a Conflicted Lender solely by virtue of that Lender:

(i) dealing in shares in or securities of a Competitor, where the relevant teams and employees of that Lender engaged in such dealings operate on the public side of an Information Barrier;

(ii) becoming an investor or equity holder in a Competitor as a consequence of a debt-for-equity swap in, or enforcement of security over shares of, that Competitor; **provided that** the relevant teams and employees of that Lender involved in such transactions are separated from any teams or employees of that Lender working in relation to the Group and the Finance Documents (and related transactions) by way of an Information Barrier;

(iii) engaging in any merger and acquisition or other advisory activity in relation to or on behalf of a Competitor, **provided that** the relevant teams and employees of that Lender involved in such advisory activity are separated from any teams or employees of that Lender working in relation to the Group and the Finance Documents (and related transactions) by way of an Information Barrier; or

(iv) being an investor or equity holder in a Competitor through a separately managed private equity investment fund owned or managed by that Lender, **provided that** the relevant teams and employees of that Lender involved in such private equity fund are separated from any teams or employees of that Lender working in relation to the Group and the Finance Documents (and related transactions) by way of an Information Barrier.

"**Consolidated After-Tax Net Income**" means, in respect of any period, the consolidated net income of the Group for that period after taxation.

"**Constitutional Documents**" means, in respect of any person, the certificate of incorporation, the memorandum of association and articles of association (or the equivalent thereof) and any other constitutional documents of such person, including any amendments and/or supplements thereto.

"**Control**" means, in relation to any person, the possession, directly or indirectly, of the power to direct or cause the direction of the management, policies or affairs of such person, whether through the ownership of voting securities, by contract or otherwise (and the term "**Controlled**" shall be construed accordingly).

"**Creditor Accession Undertaking**" has the meaning given to that term in the Security Trust Agreement.

"**Cure Amount**" has the meaning given to that term in Clause 22.4 (*Equity cure*).

"**Cure Amount Account**" has the meaning given to that term in Clause 23.28 (*Cure Amount Account*).

"**Debenture (Borrower)**" means a debenture to be entered into by the Borrower in favour of the Security Agent in respect of assets of the Borrower, in form and substance satisfactory to the Security Agent.

"**Debenture (Cayman Guarantor)**" means a debenture to be entered into by the Cayman Guarantor in favour of the Security Agent in respect of assets of the Cayman Guarantor, in form and substance satisfactory to the Security Agent.

"**Debenture (HK Guarantor)**" means a debenture to be entered into by the HK Guarantor in favour of the Security Agent in respect of assets of the HK Guarantor, in form and substance satisfactory to the Security Agent.

"**Debt Document**" has the meaning given to that term in the Security Trust Agreement.

"**Debt Purchase Transaction**" means, in relation to a person, a transaction where such person:

(a) purchases or acquires by way of assignment or transfer any rights and/or obligations in respect of;

(b) enters into any sub-participation in respect of; or

(c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of,

any Commitment in respect of any Facility (or any commitment represented thereby) or any amount outstanding under any Finance Document.

"**Debtor**" has the meaning given to that term in the Security Trust Agreement.

"**Default**" means an Event of Default or any event or circumstance specified in Clause 24 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"**Defaulting Lender**" means any Lender (other than a Lender which is a Sponsor Affiliate):

(a) which has failed to make its participation in a Loan available (or has notified the Facility Agent or the Borrower (which has notified the Facility Agent) that it will not make its participation in a Loan available) by the Utilisation Date for that Loan in accordance with Clause 5.4 (*Lenders' participation*);

(b) which has otherwise rescinded or repudiated a Finance Document; or

(c) with respect to which an Insolvency Event has occurred and is continuing,

unless, in the case of paragraph (a) above:

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made by that Lender within four Business Days of its due date; or

(ii) that Lender is disputing in good faith whether it is contractually obliged to make the payment in question.

"**Delegate**" means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"**Designated Proceeds Account (HSBC)**" means an account:

(a) held in Hong Kong with The Hongkong and Shanghai Banking Corporation by an Offshore Group Member that is a Relevant Obligor;

(b) existing as at the date of this Agreement and identified in writing between (i) the Borrower and (ii) the Facility Agent or the Security Agent as a "Designated Proceeds Account (HSBC)"; and

(c) (subject to the Legal Reservations) subject to fixed Security in favour of the Security Agent which Security is in form and substance satisfactory to the Facility Agent and Security Agent,

(as the same may be re-designated, substituted or replaced from time to time).

"**Disruption Event**" means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with any Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other, Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"**Distressed Investor**" means a loan to own fund, vulture fund, distressed debt fund or any other entity (including a business group within a bank or financial institution) which is established for or principally invests in distressed debt (or any similar fund or entity).

"**Distribution**" means, in respect of a person:

(a) declaring, making or paying any dividend, charge, fee or other distribution of any kind (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of any Equity Interest of such person (or any class of any Equity Interest of such person);

(b) repaying, returning or distributing any dividend or share premium or other reserve;

(c) paying or allowing any Transaction Obligor or any Group Member to pay any management, advisory or other fee to or to the order of the Parent, any of the shareholder(s) of the Parent or any other Related Person;

(d) redeeming, repurchasing, defeasing, retiring, repaying, returning, reducing, cancelling or terminating any of its Equity Interest (including any Recapitalisation), or making any payment (including any payment of interest on any unpaid sum relating to any such payment) whether in cash or in kind (and including any payment in any sinking fund or similar deposit) on account of any of the foregoing, or entering into any other arrangement having a similar effect, or resolving to do so; or

(e) paying, repaying or prepaying any principal, interest or other amount on or in respect of, or redeeming, purchasing, acquiring or defeasing, any Financial Indebtedness (whether on account of principal, interest, fees or otherwise), owed actually or contingently by a Group Member to the Parent, any Subordinated Creditor (as defined in the Security Trust Agreement) or any of the shareholder(s) of the Parent.

"**Distribution Account**" means an account:

(a) held in Taipei opened with the Facility Agent (or an Affiliate thereof specified by the Facility Agent) in the name of the Distribution Account Holder;

(b) existing as at the Amendment and Restatement Effective Date and identified in writing between (i) the Borrower or the Distribution Account Holder and (ii) the Facility Agent or the Security Agent as the "Distribution Account";

(c) (subject to the Legal Reservations) subject to fixed Security in favour of the Security Agent which Security is in form and substance satisfactory to the Facility Agent and Security Agent; and

(d) from which no withdrawals may be made except as contemplated by this Agreement,

as the same may be re-designated, substituted or replaced from time to time.

"**Distribution Account Charge**" means the charge over the Distribution Account granted or to be granted by the Distribution Account Holder in favour of the Security Agent, in form and substance satisfactory to the Security Agent.

"**Distribution Account Holder**" means Bain Capital Rise Education Cayman IV Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 278734 and registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands.

"**DSRA**" means a debt service reserve account:

(a) held in Taipei or any other jurisdiction reasonably satisfactory to the Facility Agent by the Borrower with the Facility Agent (or an Affiliate thereof specified by the Facility Agent);

(b) subject to fixed Security in favour of the Security Agent which Security is in form and substance satisfactory to the Facility Agent and Security Agent;

(c) identified in writing (including in a Transaction Security Document) between (i) the Borrower and (ii) the Facility Agent or the Security Agent as the "DSRA"; and

(d) from which no withdrawals may be made by any Transaction Obligor or any Group Member except as contemplated by this Agreement,

(as the same may be re-designated, substituted or replaced from time to time).

"**DSRA Minimum Balance**" means, at any time, the Interest Reserve Amount as at such time.

"**EBITDA**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**Environment**" means humans, animals, plants and all other living organisms including the ecological systems of which they form part and the following media:

(a) air (including air within natural or man-made structures, whether above or below ground);

(b) water (including territorial, coastal and inland waters, water under or within land and water in drains and sewers); and

(c) land (including land under water).

"**Environmental Claim**" means any claim, proceeding, formal notice or investigation by any person in respect of:

(a) any breach, or alleged breach, of any Environmental Law; or

(b) any accident, fire, explosion or other event of any type involving the generation, handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the Environment, including any waste.

"**Environmental Law**" means any applicable law or regulation which relates to:

(a) the pollution or protection of the Environment;

(b) the conditions of the workplace;

(c) community welfare and/or land or property rights;

(d) occupational health and safety; or

(e) the generation, handling, storage, use, release or spillage of any substance which, alone or in combination with any other, is capable of causing harm to the Environment, including any waste.

"**Environmental Permits**" means any permit and other Authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of the business of any Transaction Obligor or any Group Member conducted on or from the properties owned or used by any Transaction Obligor or any Group Member.

"**Equity Interest**" means, in relation to any person:

(a) any share of any class or capital stock of or equity interest (including any partnership interest) in such person or any depositary receipt in respect of any such share, capital stock or equity interest; or

(b) any security convertible or exchangeable (whether at the option of the holder thereof or otherwise and whether such conversion is conditional or otherwise) into any such shares, capital stock, equity interest or depositary receipt, or any depositary receipt in respect of any such security; or

(c) any option, warrant or other right to acquire any such share, capital stock, equity interest, security or depositary receipt or security referred to in the foregoing paragraphs (a) and/or (b) above.

"**Equity Pledge (WOFE Guarantor)**" means an equity pledge agreement or contract to be entered into by HK Guarantor in favour of the Security Agent in respect of its equity interests in the WOFE Guarantor, in form and substance satisfactory to the Security Agent.

"**Event of Default**" means any event or circumstance specified as such in Clause 24 (*Events of Default*).

"**Existing Lionbridge Investments**" means the loan(s) made by the WOFE Guarantor in favour of (i) Lionbridge and (ii) Tianjin Lionbridge International Logistics Company Limited (in the form of entrustment loans and made through one or more Acceptable Banks or otherwise) prior to the Amendment and Restatement Date, **provided that**:

(a) the aggregate outstanding amount of such loan(s) is not increased after the Amendment and Restatement Date; and

(b) the tenor of such loan(s) expires on or prior to 30 November 2017 and is not extended on or after the date of this Agreement.

"**Facility**" means Facility A, Facility B or an Incremental Facility (and "**Facilities**" shall be construed accordingly).

"**Facility A**" means the term loan facility made available under this Agreement as described in paragraph (a)(i) of Clause 2.1 (*The Facilities*).

"**Facility A Commitment**" means:

(a) in relation to an Original Lender, the amount in USD set opposite its name under the heading "Facility A Commitment" in Part I of Schedule 1 (*The Original Parties*) and the amount of any other Facility A Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*); and

(b) in relation to any other Lender, the amount in USD of any Facility A Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*),

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Facility A Loan**" means a loan made or to be made under Facility A or the principal amount outstanding for the time being of that loan.

"**Facility B**" means the term loan facility made available under this Agreement as described in paragraph (a)(ii) of Clause 2.1 (*The Facilities*).

"**Facility B Commitment**" means:

(a) in relation to an Original Lender, the amount in USD set opposite its name under the heading "Facility B Commitment" in Part I of Schedule 1 (*The Original Parties*) and the amount of any other Facility B Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*); and

(b) in relation to any other Lender, the amount in USD of any Facility B Commitment transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*),

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Facility B Loan**" means a loan made or to be made under Facility B or the principal amount outstanding for the time being of that loan.

"**Facility Office**" means:

(a) in respect of a Lender, the office or offices notified by that Lender to the Facility Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days' written notice) as the office or offices through which it will perform its obligations under this Agreement; or

(b) in respect of any other Finance Party, the office in the jurisdiction in which it is resident for tax purposes.

"**Family Member**" means, in relation to any individual, such individual, his or her parents, brothers, sisters and lineal descendants, and any trust or other similar entity established for the sole benefit of or the sole beneficial owner(s) of which (directly or indirectly) are any or all of the foregoing, any of their respective lineal descendants, estate or any executor of their respective estate, and/or (in the case of any such trust or other similar entity) any trustee in bankruptcy or similar officer in respect of any such trust or such other similar entity.

"**FATCA**" means:

(a) sections 1471 to 1474 of the Code, any associated regulations and other official guidance;

(b) any treaty, law, regulation or other official guidance enacted in any other jurisdiction, or relating to an intergovernmental agreement between the United States of America and any other jurisdiction, which (in either case) facilitates the implementation of paragraph (a) above; and

(c) any agreement pursuant to the implementation of paragraph (a) or (b) above with the United States Internal Revenue Service, the government of the United States of America or any governmental or taxation authority in any other jurisdiction.

"**FATCA Deduction**" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"**FATCA Exempt Party**" means a Party that is entitled to receive payments free from any FATCA Deduction.

"**Fee Letter**" means (as applicable):

(a) the fee letter dated on or about the Amendment and Restatement Date between the Mandated Lead Arranger and the Borrower;

(b) any agreement setting out fees payable to a Finance Party referred to in Clause 13 (*Fees*) or paragraph (f) of Clause 2.2 (*Increase*); and/or

(c) any agreement setting out any other fees payable to a Finance Party referred to in this Agreement or under any other Finance Document.

"**Finance Document**" means this Agreement, the Amendment and Restatement Agreement, any Accession Deed, any Fee Letter, any Hedging Agreement, the Security Trust Agreement, any Incremental Amendment, the Syndication Letter, any Transaction Security Document, any Guarantee, the Guarantee (WFOE Guarantor) Amendment, any Transfer Certificate, any Increase Confirmation, any Incremental Facility Notice, any Incremental Facility Increase Confirmation and any other document designated as a "Finance Document" by the Facility Agent and the Borrower, **provided that** where the term "Finance Document" is used in, and construed for the purposes of, this Agreement or the Security Trust Agreement, a Hedging Agreement shall be a Finance Document only for the purposes of :

(a) the definition of "Material Adverse Effect";

(b) paragraph (a) of the definition of "Permitted Transaction";

(c) the definition of "Transaction Document";

(d) the definition of "Transaction Security Document";

(e) paragraph (a)(iv) of Clause 1.2 (*Construction*);

(f) Clause 2.3 (*Finance Parties' rights and obligations*);

(g) Clause 2.4 (*Obligors' Agent*);

(h) Clause 19 (*Guarantee and indemnity*);

(i) the definition of "Guarantees";

(j) Clause 24 (*Events of Default*) (other than Clause 24.19 (*Acceleration*));

(k) Clause 32 (*Set-off*); and

(l) describing the secured obligations under any Transaction Security Document.

"**Finance Lease**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**Finance Party**" means the Facility Agent, a Mandated Lead Arranger, the Security Agent, a Lender or a Hedge Counterparty **provided that** where the term "Finance Party" is used in, and construed for the purposes of, this Agreement or the Security Trust Agreement, a Hedge Counterparty shall be a Finance Party only for the purposes of:

(a) the definition of "Secured Parties";

(b) paragraph (c) of the definition of "Material Adverse Effect";

(c) paragraph (a)(i) of Clause 1.2 (*Construction*);

(d) Clause 19 (*Guarantee and indemnity*);

(e) the definition of "Guarantees";

(f) Clause 2.3 (*Finance Parties' rights and obligations*);

(g) Clause 2.4 (*Obligors' Agent*);

(h) Clause 29 (*Conduct of business by the Finance Parties*); and

(i) Clause 32 (*Set-off*).

"**Financial Indebtedness**" means any indebtedness for or in respect of:

(a) moneys borrowed;

(b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);

(c) any note purchase facility or the issue of bonds (but not Trade Instruments), notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of Finance Leases;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);

(f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);

(g) any counter-indemnity obligation in respect of a guarantee, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution (but not, in any case, Trade Instruments) in respect of any underlying liability of an entity which is not a Group Member;

(h) any amount raised by the issue of shares or Equity Interests which are redeemable (other than at the option of the issuer thereof) before the Termination Date or are otherwise classified as borrowings under the Accounting Principles;

(i) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into that agreement is to raise finance or to finance the acquisition or construction of the applicable asset or service in question or (ii) that agreement is in respect of the supply of assets or services and payment is due more than 180 days after the date of such supply;

(j) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing (excluding any such transaction which is expressly excluded under another paragraph of this definition) or are otherwise classified as borrowings under the Accounting Principles; and

(k) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above,

provided that where the amount of Financial Indebtedness is to be calculated in relation to any bank accounts of Group Members that are subject to netting, cash cooling, net balance, balance transfer or similar arrangements, only the net balance of the Financial Indebtedness in respect of such arrangements shall be taken in to account.

"**Financial Half-Year**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**Financial Quarter**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**Financial Year**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**First Test Date**" means 30 September 2017.

"**First Utilisation Date**" means the first Utilisation Date to occur in respect of Facility A or Facility B on or after the Amendment and Restatement Effective Date.

"**Flotation**" has the meaning given to that term in Clause 8.1 (*Exit and Flotation*).

"**Flotation Proceeds**" has the meaning given to that term in Clause 8.1 (*Exit and Flotation*).

"**Future Acquisition**" means the acquisition by a Group Member of Equity Interest(s) in a company, corporation or entity which is not already a Group Member as at the Amendment and Restatement Effective Date and which becomes a Group Member after such acquisition, **provided that** such acquisition is a Permitted Acquisition falling within paragraph (e) of the definition of "Permitted Acquisition" (such company, corporation or entity being the "**Future Target**" in respect of such Future Acquisition).

"Future Target Group" means:

(a) any Future Target (in respect of any Future Acquisition) and its Subsidiaries from time to time; and

(b) any Future Acquisition SPV (as defined in the definition of "Permitted Acquisition") and its Subsidiaries from time to time,

excluding any member of any Future Target Guarantor Group.

"**Future Target Group Member**" means any member of any Future Target Group.

"**Future Target Guarantor Group**" means (a) each of (i) any Future Target (in respect of any Future Acquisition) and (ii) its Subsidiaries that are incorporated or established outside the PRC that has (in each case under (i) and (ii)) become a Guarantor in accordance with Clause 27.2 (*Additional Guarantors*) and (b) Subsidiaries of such Future Target that are incorporated or established in the PRC.

"**Governmental Authority**" means any government or any governmental agency, semi-governmental or judicial entity or authority (including any stock exchange or any self-regulatory organisation established under statute).

"**Greater China**" means the People's Republic of China, Hong Kong, the Special Administrative Region of Macau and Taiwan.

"**Group**" means the Borrower and its Subsidiaries from time to time, and the VIE Entity and its Subsidiaries from time to time.

"**Group Member**" means any member of the Group.

"**Group Structure Chart**" means the group structure chart for the Group set out in Schedule 13 (*Group Structure Chart*).

"**Guarantee (WOFE Guarantor)**" means the guarantee dated 18 July 2016 between the WOFE Guarantor and the Security Agent and as amended by the Guarantee (WOFE Guarantor) Amendment.

"**Guarantee (WOFE Guarantor) Amendment**" means the amendment agreement to the Guarantee (WOFE Guarantor) dated on or about the Amendment and Restatement Date between the WOFE Guarantor and the Security Agent.

"**Guarantee (VIE Entity)**" means the guarantee dated on or about Amendment and Restatement Date between the VIE Entity and the Security Agent.

"**Guarantees**" **means:**

(a) any guarantee or indemnity given by any Obligor under Clause 19 (*Guarantee and indemnity*);

(b) the Guarantee (WOFE Guarantor);

(c) the Guarantee (VIE Entity); and

(d) any guarantee or indemnity given by any person (other than a Finance Party) in favour of the Facility Agent, the Security Agent or all of the Finance Parties (in each case in form and substance satisfactory to the Facility Agent) in respect of the obligations of the Borrower under the Finance Documents,

(each a "**Guarantee**").

"**Guarantors**" means the Original Offshore Guarantors and each Additional Guarantor (each a "**Guarantor**").

"**Hedge Counterparty**" means any entity which (a) has become a Party as a "Hedge Counterparty" in accordance with Clause 25.8 (*Accession of Hedge Counterparties*) and (b) is or has become, a party to the Security Trust Agreement as a "Hedge Counterparty" (as defined in the Security Trust Agreement) in accordance with the provisions of the Security Trust Agreement.

"**Hedging Agreement**" means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by the Borrower and a Hedge Counterparty for the purpose of hedging the types of liabilities and/or risks in relation to any or all of the Facilities which complies with (1) the Hedging Principles and (2) the Security Trust Agreement.

"**Hedging Principles**" means the requirements set out in Schedule 14 (*Hedging Principles*).

"**Holding Company**" means, in relation to a person, any other person in respect of which it is a Subsidiary.

"**Hong Kong**" means the Hong Kong Special Administrative Region of the PRC.

"**Impaired Agent**" means the Facility Agent at any time when:

(a) it has failed to make (or has notified a Party that it will not make) a payment required to be made by it under the Finance Documents by the due date for such payment;

(b) the Facility Agent otherwise rescinds or repudiates a Finance Document;

(c) (if the Facility Agent is also a Lender) it is a Defaulting Lender under paragraph (a), (b) or (c) of the definition of "Defaulting Lender"; or

(d) an Insolvency Event has occurred and is continuing with respect to the Facility Agent;

unless, in the case of paragraph (a) above:

(i) its failure to pay is caused by:

(A) administrative or technical error; or

(B) a Disruption Event; and

payment is made within five Business Days of its due date; or

(ii) the Facility Agent is disputing in good faith whether it is contractually obliged to make the payment in question.

"**Increase Confirmation**" means a confirmation substantially in the form set out in Schedule 11 (*Form of Increase Confirmation*) or any other form agreed between the Facility Agent and the Borrower.

"**Increase Lender**" has the meaning given to that term in paragraph (a)(iii) of Clause 2.2 (*Increase*).

"**Incremental Amendment**" has the meaning given to that term in Clause 2.5 (*Incremental Facilities*).

"**Incremental Facility**" has the meaning given to that term in Clause 2.5 (*Incremental Facilities*).

"**Incremental Facility Commitment**" means, in relation to any Incremental Facility:

(a) in relation to any Incremental Facility Original Lender that is party to any Incremental Facility Increase Confirmation (relating to such Incremental Facility), the aggregate amount of "Relevant Commitment" in respect of such Incremental Facility as specified in each Incremental Facility Increase Confirmation (relating to such Incremental Facility) to which it is a party and the amount of any other Incremental Facility Commitment (in respect of such Incremental Facility) transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*); and

(b) in relation to any other Lender, the amount of any Incremental Facility Commitment (in respect of such Incremental Facility) transferred to it under this Agreement or assumed by it in accordance with Clause 2.2 (*Increase*),

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Incremental Facility Increase Confirmation**" means a confirmation substantially in the form set out in Schedule 15 (*Form of Incremental Facility Increase Confirmation*).

"**Incremental Facility Loan**" means a loan made or to be made under any Incremental Facility or the principal amount outstanding for the time being of that loan, **provided that** any reference to any "Incremental Facility Loan" under or in respect of any Incremental Facility means a loan made or to be made under such Incremental Facility or the principal amount outstanding for the time being of that loan.

"**Incremental Facility Notice**" has the meaning given to that term in Clause 2.5 (*Incremental Facilities*).

"**Incremental Facility Original Lender**" has the meaning given to that term in Clause 2.5 (*Incremental Facilities*).

"**Indebtedness for Borrowed Money**" means, at any time, Financial Indebtedness other than any Financial Indebtedness falling within (a) paragraph (f) of the definition of "Financial Indebtedness" or (b) paragraph (k) of the definition of "Financial Indebtedness" (to the extent related to Financial Indebtedness falling within paragraph (f) of the definition of "Financial Indebtedness").

"**Indirect Tax**" means any value added tax, goods and services tax, consumption tax, business tax or any Tax of a similar nature.

"**Information Barrier**" means, in relation to a Lender, a system of controls and monitoring (including, but not limited to, physical segregation of employees and restrictions on access to and flow of information) sufficient to ensure that:

(a) information relating to the Group and the Finance Documents (and related transactions) held by that Lender is not disclosed to any person who is or who is acting on behalf of either a Competitor or an investor or equity holder in a Competitor (that has Control over such Competitor) or who is engaged in any merger and acquisition or other advisory activity in relation to or on behalf of a Competitor; and

(b) information available to any team or employee of that Lender who is or who is acting on behalf of either a Competitor or an investor or equity holder in a Competitor (that has Control over such Competitor) or who is engaged in any merger and acquisition or other advisory activity in relation to a Competitor is not disclosed to any team or employee of that Lender acting in relation to the Group or the Finance Documents (and related transactions).

"**Initial VIE Nominee Transfer**" means the transfer of all the equity interests in the VIE Entity held by Zhang Zhen Yu (張振宇) to Zhang Peng (张鹏) after the date of this Agreement, **provided that** the VIE Nominee Transfer Conditions are satisfied in respect of such transfer.

"**Insolvency Event**" in relation to a Finance Party or an Acceptable Bank means that Finance Party or Acceptable Bank:

(a) is dissolved (other than pursuant to a consolidation, amalgamation or merger);

(b) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due;

(c) makes a general assignment, arrangement or composition with or for the benefit of its creditors;

(d) institutes or has instituted against it, by a regulator, supervisor or any similar official with primary insolvency, rehabilitative or regulatory jurisdiction over it in the jurisdiction of its incorporation or organisation or the jurisdiction of its head or home office, a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation by it or such regulator, supervisor or similar official;

(e) has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition is instituted or presented by a person or entity not described in paragraph (d) above and:

(i) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation; or

(ii) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof;

(f) has exercised in respect of it one or more of the stabilisation powers pursuant to Part 1 of the Banking Act 2009 and/or has instituted against it a bank insolvency proceeding pursuant to Part 2 of the Banking Act 2009 or a bank administration proceeding pursuant to Part 3 of the Banking Act 2009 or in each case, any equivalent legislation in any relevant jurisdiction;

(g) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger);

(h) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (other than, for so long as it is required by law or regulation not to be publicly disclosed, any such appointment which is to be made, or is made, by a person or entity described in paragraph (d) above);

(i) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains such possession, or any such distress, execution, attachment, sequestration or other legal process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter;

(j) causes or is subject to any event with respect to which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in paragraphs (a) to (i) above; or

(k) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts.

"**Intellectual Property**" means all right, title and interest from time to time in and to:

(a) any patents, trade marks, service marks, designs, business names, copyrights, database rights, design rights, domain names, moral rights, inventions, confidential information, knowhow and other intellectual property rights and interests (which may now or in the future subsist), whether registered or unregistered; and

(b) the benefit of all applications and rights to use any or all of the rights and/or items referred to paragraph (a) from time to time and which may now or in the future subsist,

and in each case including any related lease, licences and sub-licences of the same.

"**Interest Period**" **means:**

(a) in relation to a Term Loan, each period determined in accordance with Clause 11 (*Interest Periods*);

(b) in relation to any Incremental Facility Loan under any Incremental Facility, each period determined in accordance with the Incremental Facility Notice in respect of such Incremental Facility (subject to Clause 2.5 (*Incremental Facilities*)); and/or

(c) in relation to an Unpaid Sum, each period determined in accordance with Clause 10.3 (*Default interest*).

"**Interest Reserve Amount**" means, as at any date, the aggregate amount of interest accruing on each Loan during the period of six (6) Months from such date (taking into account the effect of any interest rate hedging under any Hedging Agreement that is in force, provided that evidence of such interest rate hedging and the applicable rate(s) involved have been disclosed to the Facility Agent in writing). For the purposes of such calculation as at any date, it shall be assumed that:

(a) the amount of each Loan shall not be reduced at any time during such period (other than repayment of such Loan in accordance with Clause 6.1 (*Repayment of the Loan*)); and

(b) the rate of interest applicable to each Loan throughout such period shall be the rate of interest applicable to such Loan as at such date of calculation.

"**Interpolated Screen Rate**" means, in relation to LIBOR for any Loan or any Unpaid Sum and any Interest Period relating thereto, the rate (rounded to the same number of decimal places as the two Screen Rates referred to below) which results from interpolating on a linear basis between:

(a) the rate per annum that is equal to the applicable Screen Rate (for the currency of such Loan or such Unpaid Sum) for the longest period (for which that Screen Rate is available) which is less than the length of such Interest Period; and

(b) the rate per annum that is equal to the applicable Screen Rate (for the currency of such Loan or such Unpaid Sum) for the shortest period (for which that Screen Rate is available) which exceeds the length of such Interest Period,

each as of the Specified Time on the Quotation Day (for the currency of such Loan or Unpaid Sum and for such Interest Period).

"**Joint Venture**" means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

"**Legal Opinion**" means any legal opinion delivered to the Facility Agent under the Amendment and Restatement Agreement or Clause 27 (*Changes to the Obligors*).

"**Legal Reservations**" **means:**

(a) the principle that equitable remedies are remedies which may be granted or refused at the discretion of a court, the principle of reasonableness and fairness, the limitation of enforcement by laws relating to bankruptcy, insolvency, liquidation, reorganisation, court schemes, moratoria, administration and other laws generally affecting the rights of creditors and secured creditors;

(b) the time barring of claims under applicable limitation laws and defences of acquiescence, set-off or counterclaim (including the Limitation Acts) and the possibility that an undertaking to assume liability for or indemnify a person against non-payment of stamp duty may be void;

(c) the principle that in certain circumstances security granted by way of fixed charge may be recharacterised as a floating charge or that security purported to be constituted as an assignment may be recharacterised as a charge;

(d) the principle that additional interest imposed pursuant to any relevant agreement may be held to be unenforceable on the grounds that it is a penalty and thus void;

(e) the principle that a court may not give effect to an indemnity for legal costs incurred by an unsuccessful litigant;

(f) the principle that the creation or purported creation of security over any contract or agreement which is subject to a prohibition on transfer, assignment or charging may be void, ineffective or invalid and may give rise to a breach of such contract or agreement over which security has purportedly been created;

(g) similar principles, rights and defences under the laws of any Relevant Jurisdiction; and

(h) any other general principles which are set out as qualifications or reservations (howsoever described) as to matters of law of general application in the Legal Opinions.

"**Lender**" means:

(a) any Original Lender; and

(b) any bank, financial institution, trust, fund or other entity which has become a Party as a "Lender" in accordance with Clause 2.2 (*Increase*), paragraph (e) of Clause 2.5 (*Incremental Facilities*) or Clause 25 (*Changes to the Lenders*),

which in each case has not ceased to be a Lender in accordance with the terms of this Agreement.

"**Liabilities**" has the meaning given to that term in the Security Trust Agreement.

"**LIBOR**" means, in relation to any Loan or any Unpaid Sum and any Interest Period relating thereto, the rate per annum equal to:

(a) the applicable Screen Rate as of the Specified Time on the Quotation Day for the currency of such Loan or such Unpaid Sum and for a period equal in length to such Interest Period;

(b) (if a Screen Rate is available for the currency of such Loan or such Unpaid Sum but is not available for such Interest Period (**provided that** a Screen Rate is available for such currency for both a period longer and a period shorter than such Interest Period)) the Interpolated Screen Rate in respect of such Loan or such Unpaid Sum and such Interest Period; or

(c) (if (i) no Screen Rate is available for the currency of such Loan or such Unpaid Sum and (ii) no Screen Rate is available for such currency for both a period longer and a period shorter than such Interest Period) the Reference Bank Rate in respect of such Loan or such Unpaid Sum and such Interest Period,

provided that (in each case) if that rate is below zero, LIBOR for such Loan or such Unpaid Sum and such Interest Period will be deemed to be zero.

"**Licence and Consultancy Fees**" means:

(a) any licence fees (whether in respect of Intellectual Property or otherwise), consultancy fees, service fees or other fees from time to time payable by any Onshore Group Member (including any VIE Group Member) to or to the order of any Group Member (that is not a VIE Group Member); and

(b) any amount from time to time payable by any Onshore Group Member (including any VIE Group Member) to or to the order of any Group Member (that is not a VIE Group Member) under or pursuant to the Licence Documents.

"**Licence Documents**" means:

(a) the consulting service agreement dated 1 December 2014 between the HK Guarantor and the WOFE Guarantor;

(b) the consulting service agreement dated 1 December 2014 between the HK Guarantor and the VIE Entity;

(c) the license agreement dated 5 October 2011 between the Cayman Guarantor and the WOFE Guarantor;

(d) the license agreement dated 5 October 2011 between the Cayman Guarantor and the VIE Entity;

(e) the service agreement dated 1 December 2014 between the VIE Entity and the WOFE Guarantor; and

(f) the combined service agreement dated 1 December 2014 between the WOFE Guarantor and Beijing Changping District Step Ahead Training School (北京市昌平区领语堂培训学校); and

(g) any other agreement or contract pursuant to which any Group Member (that is not a VIE Group Member) grants any licence or provides any service to any Onshore Group Member (including any VIE Group Member) or is entitled to receive any licence fee, consultancy fee, service fee or other fee or payment in connection with any such licence or service,

including (in each case and for the avoidance of doubt) any renewal thereof.

"**Limitation Acts**" means the Limitation Act 1980 and the Foreign Limitation Periods Act 1984.

"**Lionbridge**" means Lionbridge Financing Leasing (China) Co., Ltd.

"**Lionbridge Investment**" means any of the Existing Lionbridge Investments or any New Lionbridge Investment.

"**Listco**" means RISE Education Cayman Ltd, an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 279511 and registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands.

"**Listco Flotation Date**" means the first date on which (i) the Flotation in respect of Listco has occurred and (b) the Flotation Proceeds from issuance of shares by Listco pursuant to such Flotation are received by Listco.

"**LMA**" means the Loan Market Association.

"**Loan**" means a Term Loan or an Incremental Facility Loan (and any reference to the Loan under or in respect of a Term Facility shall be a reference to any Term Loan under or in respect of such Term Facility, and any reference to any Loan under or in respect of any Incremental Facility shall be a reference to any Incremental Facility Loan under or in respect of such Incremental Facility).

"**Majority Lenders**" means, at any time:

(a) if any Loan is then outstanding, a Lender or Lenders whose participations in the Loan(s) then outstanding aggregate more than $66^{2}/_{3}\%$ of the aggregate Loans then outstanding;

(b) if no Loan is then outstanding and the Available Facility in respect of any Facility is then greater than zero, a Lender or Lenders the aggregate of whose Available Commitments (in respect of any or all of the Facilities) is more than $66^{2}/_{3}\%$ of the sum of the Available Facility in respect of each Facility; or

(c) if no Loan is then outstanding and the Available Facility in respect of each Facility is then zero:

(i) if no Loan has been made, a Lender or Lenders the aggregate of whose Available Commitments in respect of any and all of the Facilities (immediately before the time when the Available Facility in respect of each Facility became zero) was more than $66^{2}/_{3}\%$ of the sum of the Available Facility in respect of each Facility (immediately before the time when the Available Facility in respect of each Facility became zero); or

(ii) if one or more Loan(s) have been made, a Lender or Lenders the aggregate of whose participations in the Loan(s) outstanding (immediately before the time when each Loan ceased to be outstanding) was more than $66^{2}/_{3}\%$ of the aggregate Loans outstanding (immediately before the time when each Loan ceased to be outstanding).

"**Margin**" means:

(a) in relation to a Facility A Loan or any Unpaid Sum relating to Facility A, 3.50% per annum, **provided that** if:

(i) no Event of Default is continuing;

(ii) a period of at least three (3) Months has expired since the Amendment and Restatement Effective Date;

(iii) Leverage in respect of the then Most Recent Relevant Period is within a range set out below; and

(iv) the last day of such Most Recent Relevant Period falls on a date after the Amendment and Restatement Effective Date,

then the Margin for each Facility A Loan will be the percentage per annum set out below in the column opposite that range:

Leverage	**Margin (% per annum)**
Greater than or equal to 3.75:1	3.50
Less than 3.75:1 but greater than or equal to 3.00:1	3.00
Less than 3.00:1 but greater than or equal to 2.00:1	2.50
Less than 2.00:1	2.00

provided further that:

(i) any increase or decrease in the Margin for a Facility A Loan shall take effect on the date (the "**reset date**") which is the first day of the next Interest Period for such Facility A Loan after receipt by the Facility Agent of the Compliance Certificate for that Most Recent Relevant Period pursuant to Clause 21.2 (*Provision and contents of Compliance Certificate*);

(ii) while an Event of Default is continuing, the Margin for any Facility A Loan shall be the highest percentage per annum set out above for such Facility A Loan; and

(iii) for the purpose of determining the Margin, Leverage and Relevant Period shall be determined in accordance with Clause 22.1 (*Financial definitions*); and

(b) in relation to the Facility B Loan or any Unpaid Sum relating to Facility B, 0.60% per annum.

"**Material Adverse Effect**" means a material adverse effect (after taking into account all resources, insurance, indemnity, and assurance available to the Group and the timing and likelihood of receipt and recovery of the foregoing) on:

(a) the business, assets or financial condition of the Group (taken as a whole);

(b) the ability of the Obligors (taken as a whole) to perform their payment obligations under any Finance Document; or

(c) subject to the applicable Legal Reservations and any Perfection Requirements (that are not overdue), the validity or the enforceability of any Finance Document (in each case, in accordance with its terms) in a manner which would be materially adverse to the interests of the relevant Finance Parties under the Finance Documents taken as a whole, provided that, in each case under this paragraph (c), if capable of remedy, the applicable event or circumstance giving rise to such material adverse effect is not remedied within 20 Business Days of an Obligor first becoming aware of such event or circumstance or being given notice of such event or circumstance by the Facility Agent.

"**MOFCOM**" means the Ministry of Commerce of the PRC (中华人民共和国商务部) (including its successors) and its local counterparts.

"**Month**" means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(a) (subject to paragraph (c) below) if such numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day in that calendar month in which that period is to end;

(b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month in which that period is to end; and

(c) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will only apply to the last Month of any period.

"**Most Recent Relevant Period**" means, at any time, the most recently elapsed Relevant Period (as at such time), in respect of which the consolidated financial statements of the Group for a period ending on the last day of such Relevant Period, and the accompanying Compliance Certificate, have been delivered to the Facility Agent, **provided that** if such time falls prior to the time when the first set of the consolidated financial statements of the Group and the accompanying Compliance Certificate are delivered to the Facility Agent, (a) the "Most Recent Relevant Period" at such time shall be deemed to be the Relevant Period ending on 31 December 2015, (b) the consolidated financial statements of the Group for such Relevant Period shall be deemed to be the Original Financial Statements of the WOFE Guarantor (but adjusted on a *pro forma* basis as if each Loan was incurred in full by the WOFE Guarantor as at the commencement of that Relevant Period and remained outstanding throughout such Relevant Period and any obligations of the Borrower in respect of any Loan were obligations of the WOFE Guarantor) and (c) the Group shall be deemed to comprise the WOFE Guarantor, the VIE Entity and their respective Subsidiaries (and any reference in the definition of EBITDA or any related definition to (i) the Borrower shall be deemed to be a reference to the WOFE Guarantor or (ii) the Group shall be deemed to be a reference to the WOFE Guarantor, the VIE Entity and their respective Subsidiaries).

"**Nei Bao Wai Dai Transaction**" means any transaction involving any guarantee and/or security where (a) the provider of such guarantor or security is incorporated or organised in the PRC and (b) any debtor (including any person in respect of whose obligations or liabilities such guarantee or security is provided) or any creditor (including any person for whose benefit such guarantee or security is provided) in such transaction is incorporated or organised outside the PRC.

"**Net Proceeds**" means the cash proceeds received or recovered by an IPO Entity or any IPO Selling Shareholder in respect of any Flotation (or, in the case of an IPO Selling Shareholder, in respect of any sale of shares or securities in an IPO Entity in connection with any Flotation), after deducting:

(a) fees, costs and expenses incurred by any Group Member with respect to that Flotation to persons who are not Group Members (including bonus payments to management of the Group);

(b) any Tax incurred and required to be paid or reserved for by any Group Member in connection with that Flotation (or by such IPO Selling Shareholder in respect of its sale of shares in such IPO Entity in connection with that Flotation) (as reasonably determined by the relevant Group Member or IPO Selling Shareholder and taking into account any available credit or relief) or the transfer of the proceeds thereof intra-Group for the purpose of making any prepayment of any of the Facilities from such proceeds; and

(c) costs of closure, relocation, reorganisation and restructuring, and costs incurred preparing any asset for such Flotation, (in each case) reasonably incurred by Group Members in connection with such Flotation and payable to a person who is not a Group Member (and certified as such by the Borrower).

"**New Lender**" has the meaning given to that term in Clause 25.1 (*Assignments and transfers* by the Lenders).

"**New Lionbridge Investment**" means any loan made by an Onshore Group Member in favour of Lionbridge (in the form of entrustment loans and made through one or more Acceptable Banks or otherwise) in any Financial Year commencing after the Amendment and Restatement Effective Date (such Financial Year being "**Relevant Financial Year**"), **provided that**:

(a) the aggregate amount of such loan (when aggregated with any and all other New Lionbridge Investment(s) made in such Relevant Financial Year) does not at any time exceed the New Lionbridge Investment Amount as at such time;

(b) after giving effect to the making of such loan, the aggregate Cash and Cash Equivalent Investments held by the Onshore Group Members is not less than 120% of the sum of (i) the amount of the Total Commitments (as at the Amendment and Restatement Effective Date) and (ii) the aggregate of Incremental Facility Commitments of the Lenders (in respect of each Incremental Facility, calculated as at the establishment of such Incremental Facility), or the equivalent thereof in any other currency or currencies;

(c) such loan is made in a Financial Year that falls after the Financial Year in which all of the Lionbridge Investment(s) previously made (excluding any Lionbridge Investment made in such Relevant Financial Year) have been repaid in full; and

(d) the tenor of such loan does not exceed 9 months and is not extended at any time.

"**New Lionbridge Investment Amount**" means, as at any time:

(a) if the Leverage in respect of the Most Recent Relevant Period as at such time equals or exceeds 2.00 : 1, RMB100,000,000 (or the equivalent thereof in any other currency or currencies); or

(b) if the Leverage in respect of the Most Recent Relevant Period as at such time is less than 2.00 : 1, RMB150,000,000 (or the equivalent thereof in any other currency or currencies),

provided that (in each case) if the Most Recent Relevant Period (as at such time) ends prior to the date on which the consolidated financial statements of the Group (for a period ending on the First Test Date) and the accompanying Compliance Certificate have been delivered to the Facility Agent in accordance with Clauses 21.1 (*Financial statements*) and 21.2 (*Provision and contents of Compliance Certificate*), the Leverage in respect of such Most Recent Relevant Period shall be deemed to be in excess of 2.00: 1.

"**New Shareholder Injections**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**Non-Consenting Lender**" has the meaning given to that term in Clause 37.6 (*Replacement of Lender*).

"**Notifiable Debt Purchase Transaction**" has the meaning given to that term in paragraph (b) of Clause 26.2 (Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates).

"**Obligor**" means the Borrower or a Guarantor.

"**Obligors' Agent**" means the Borrower, appointed to act on behalf of each Obligor in relation to the Finance Documents pursuant to Clause 2.4 (*Obligors' Agent*).

"**Offshore Group**" means the Offshore Group Members.

"**Offshore Group Member**" means a Group Member which is incorporated or established outside of the PRC.

"**Offshore Mandatory Prepayment Account**" means an interest-bearing account:

(a) held in a jurisdiction reasonably satisfactory to the Facility Agent by the Borrower with the Facility Agent (or an Affiliate thereof specified by the Facility Agent);

(b) identified in writing (including in a Transaction Security Document) between (i) the Borrower and (ii) the Facility Agent or the Security Agent as the "Offshore Mandatory Prepayment Account";

(c) subject to fixed Security in favour of the Security Agent which Security is in form and substance satisfactory to the Facility Agent and Security Agent; and

(d) from which no withdrawals may be made by any Transaction Obligor or any Group Member except as contemplated by this Agreement,

(as the same may be re-designated, substituted or replaced from time to time).

"**Onshore Distributions**" means (without duplication):

(a) any Distribution by any or all of the Onshore Group Members paid or made by one or more of the Onshore Group Members to or in favour of any or all of the other Transaction Obligors, the Offshore Group Members and the holders of Equity Interests in any or all of the Onshore Group Members; and

(b) any amount paid or made available by any or all of the Onshore Group Members to or in favour of any or all of the Transaction Obligors, the Offshore Group Members and/or the holders of Equity Interests in any or all of the Onshore Group Members by way of loans, advances, cash pooling and/or other equivalent means.

"**Onshore Group**" means the Onshore Group Members.

"**Onshore Group Member**" means a Group Member which is established or incorporated in the PRC.

"**Onshore Guarantors**" means the WOFE Guarantor and the VIE Entity (each an "**Onshore Guarantor**").

"**Original Financial Statements**" means:

(a) the unaudited unconsolidated financial statements of the Borrower for the Financial Year ended 31 December 2016;

(b) the audited combined consolidated financial statements of the WOFE Guarantor for the Financial Year ended 31 December 2016;

(c) the financial statements (if any) of any Additional Guarantor delivered pursuant to Part II of Schedule 2 (*Conditions Precedent*).

"**Original Jurisdiction**" means:

(a) in relation to each of the Parent, the Borrower and the Cayman Guarantor, the Cayman Islands;

(b) in relation to the HK Guarantor, Hong Kong;

(c) in relation to each of the WOFE Guarantor and the VIE Entity, the PRC;

(d) in relation to an Additional Guarantor, the jurisdiction under whose laws that Additional Guarantor is incorporated or established as at the date on which that Additional Guarantor becomes party hereto as a Guarantor; or

(e) in relation to any other Total Transaction Obligor, the jurisdiction under whose laws that Total Transaction Obligor is incorporated or established as at the date on which that Total Transaction Obligor becomes a Total Transaction Obligor.

"**Original Agreement**" this Agreement prior to the amendment and restatement thereof pursuant to the Amendment and Restatement Agreement.

"**Original Loan**" means the loan made under the Original Agreement prior to the Amendment and Restatement Effective Date (being the Initial Facility Loan (as defined in the Original Agreement)).

"**Original Utilisation Date**" means the date on which the Original Loan was made under the Original Agreement prior to the Amendment and Restatement Effective Date, being 12 September 2016.

"**Ownership Percentage**" means, at any time, (a) in relation to any Group Member (that is not the Borrower or a VIE Group Member), the aggregate direct and indirect equity interest (expressed as a percentage) of the Borrower in such Group Member, (b) in relation to a VIE Group Member, the VIE Economic Interest Percentage (multiplied, in the case of a VIE Group Member that is not the VIE Entity, by the aggregate direct and indirect equity interest (expressed as a percentage) of the VIE Entity in such VIE Group Member) or (c) in relation to the Borrower, 100%.

"**Parent**" means RISE Education Cayman III Ltd (formerly known as Bain Capital Rise Education III Cayman Limited), an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 279811 and registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands.

"**Parent Loan**" means any loan made by the Parent to the Borrower and outstanding from the Borrower to the Parent from time to time, **provided that** such loan is subordinated to the Secured Obligations pursuant to the Security Trust Agreement.

"**Participant**" means any person to whom a Lender has assigned, transferred or disposed of all or any of its obligations, economic interest or other interest under any of the Finance Documents by way of Participation.

"**Participation**" means, in relation to a person, a transaction where such person:

(a) enters into any sub-participation in respect of;

(b) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of; or

(c) enters into a credit derivative (including a credit default swap or credit linked note), total return swap in respect of,

any Commitment in respect of any Facility (or any commitment represented thereby) or any amount outstanding under any Finance Document.

"**Participation Agreement**" means each agreement or letter between a Lender and a Participant under which the Lender has assigned, transferred or disposed of all or any of its obligations, economic interest or other interest under any of the Finance Documents, directly or indirectly, whether by Participation or in any other way but excluding any assignment, transfer or novation of any of a Lender's Commitment in respect of any Facility and/or rights and/or obligations under any Finance Document in accordance with Clause 25 (*Changes to the Lenders*).

"**Party**" means a party to this Agreement.

"**PBOC**" means the central bank of the People's Republic of China (中国人民银行) (including its successors).

"**Perfection Requirements**" means the making of the appropriate registrations, filings, notifications and/or other perfection actions and steps required to be made or taken in any jurisdiction pursuant to applicable law in order to perfect the Transaction Security Documents and/or the Security created thereunder.

"**PermittedAcquisition**" means:

(a) any investment constituted by any Lionbridge Investments;

(b) an acquisition by a Group Member of an asset sold, leased, transferred or otherwise disposed of by another Group Member in circumstances constituting a Permitted Disposal or Permitted Transaction;

(c) the making or purchase of any Cash Equivalent Investments;

(d) the acquisition by a Group Member of the issued share capital of a limited liability company (including by way of formation) which has not traded prior to the date of such acquisition, provided that (i) such limited liability company becomes wholly-owned by Group Member upon such acquisition and (ii) the aggregate consideration for such acquisition shall be nominal;

(e) an acquisition by a Group Member of (1) the issued voting share capital or other applicable ownership interests of a person (incorporated with limited liability) following which more than 50% of the aggregate voting share capital or other applicable ownership interests in such person is or are beneficially owned by such Group Member or (2) more than 50% of the beneficial ownership of any business or undertaking carried on as a going concern (such person referred to in (1) or such business or undertaking referred to in (2) being the "**Future Acquisition Target**"), in each case subject to the following conditions:

(i) no Event of Default is continuing or would occur as a result of such acquisition, as at the closing date of such acquisition;

(ii) the Future Acquisition Target and its Subsidiaries (if any) (taken as a whole):

(A) is engaged in a business the general nature of which is substantially the same as or complementary to that carried on by the Group or a material part of the Group; and

(B) was not a Group Member and was not owned by a Group Member prior to such acquisition;

(iii) (in the case of (2) above) such acquisition is made by a Group Member that is set up (pursuant to paragraph (d)) specifically for the purpose of such acquisition and does not have any assets (other than such interest in the Future Acquisition Target to be acquired) (a "**Future Acquisition SPV**") **provided that** the acquisition by Bain Capital Rise Education (HK) Limited of the business or undertaking of The Edge Learning Centres Limited (as disclosed to the Mandated Lead Arranger prior to the Amendment and Restatement Date) shall not be subject to the requirements of this paragraph (e)(iii);

(iv) the earnings before Tax, depreciation and amortisation of such Future Acquisition Target (calculated on the same basis as EBITDA (applying *mutatis mutandis*, as if any reference in the definition of EBITDA and/or any related definition to (A) the Borrower were a reference to such Future Acquisition Target or (B) the Group were a reference to such Future Acquisition Target and its Subsidiaries (if any)), and (in the case of a Future Acquisition Target that is a business or undertaking) as if such Future Acquisition Target constituted a separate legal entity)) (the "**Target EBITDA**" in respect of such Future Acquisition Target) for the 12-month period immediately prior to such acquisition are positive, or, if such Target EBITDA in respect of such Future Acquisition Target is negative, (X) it is not negative by more than U.S.$3,000,000 (or its equivalent) or (Y) such acquisition is entirely funded from Acceptable Funding Sources that have not been applied towards other purposes (except for being injected or made available to the applicable Group Member) and the directors of the Borrower are of the reasonable opinion that the Target EBITDA in respect of such Future Acquisition Target will, within the 18-month period following such acquisition, be positive;

(v) the Borrower would have remained in compliance with its obligations under Clause 22.2 (*Financial condition*) if the requirements thereunder were re-calculated on a *pro forma* basis for the Most Recent Relevant Period ending immediately prior to the closing date of such acquisition and, for the purposes of such re-calculation, consolidating the financial statements of such Future Acquisition Target (consolidated if it has Subsidiaries and (in the case where such Future Acquisition Target is a business or undertaking) prepared as if such Future Acquisition Target constituted a separate legal entity) with the consolidated financial statements of the Group for such Most Recent Relevant Period on a *pro forma* basis and as if (A) the Total Purchase Price in respect of such acquisition had been paid and incurred and such acquisition had been consummated at the start of that Most Recent Relevant Period and (B) (if that Most Recent Relevant Period ends prior to the First Test Date) the financial covenants under Clause 22.2 (*Financial condition*) applicable to that Most Recent Relevant Period were the financial covenants under Clause 22.2 (*Financial condition*) applicable to the First Test Date;

(vi) if the Total Purchase Price of that acquisition (except to the extent funded from Acceptable Funding Sources (that do not, for the avoidance of doubt, include any proceeds of any Permitted Financial Indebtedness or any Incremental Facility)) is greater than an amount equal to 30 per cent. of EBITDA of the Group (excluding, for the avoidance of doubt, the Target EBITDA in respect of such Future Acquisition Target and Relevant Synergies) for the Most Recent Relevant Period ending immediately prior to the closing date of such acquisition, (A) formal due diligence reports (on a non-reliance basis) in respect of such acquisition and/or such Future Acquisition Target (and/or its Subsidiaries) and (B) copies of board papers (if any) of any Group Member prepared in connection with such acquisition are delivered to the Facility Agent (provided that, irrespective of the Total Purchase Price of that acquisition, if any formal due diligence report is actually prepared in respect of that acquisition, copies of such due diligence report (on a non-reliance basis) shall be delivered to the Facility Agent);

(vii) if such Future Acquisition Target or Future Acquisition SPV is incorporated or established outside the PRC, either (A) such Future Acquisition Target or Future Acquisition SPV and each of its Subsidiaries which are incorporated or established outside the PRC shall become party to this Agreement as an Additional Guarantor in accordance with Clause 27.2 (*Additional Guarantors*) or (B) the Group Member making such acquisition (in the case of (1) above) or each of the holder(s) and beneficial owner(s) of Equity Interest in such Future Acquisition SPV (in the case of (2) above) is the Cayman Guarantor or the HK Guarantor or a Subsidiary of the Cayman Guarantor or the HK Guarantor;

(viii) if such Future Acquisition Target or Future Acquisition SPV is incorporated or established in the PRC, the Group Member making such acquisition (in the case of (1) above) or each of the holder(s) and beneficial owner(s) of Equity Interest in such Future Acquisition SPV (in the case of (2) above) is the Cayman Guarantor or the HK Guarantor or a Subsidiary of the Cayman Guarantor or the HK Guarantor;

(ix) (unless (i) the Group Member making such acquisition (in the case of (1) above) or each of the holder(s) and beneficial owner(s) of Equity Interest in such Future Acquisition SPV (in the case of (2) above) is the Cayman Guarantor or the HK Guarantor or a Subsidiary of the Cayman Guarantor or the HK Guarantor and (ii) no Additional Guarantor Notice is or will be given in respect of such Future Acquisition Target or any of its Subsidiaries) less than 50% of the assets of such Future Acquisition Target and its Subsidiaries (if any, on a consolidated basis) comprise minority interests in any other entity or asset; and

(x) the Borrower shall deliver to the Facility Agent not later than 15 Business Days after the closing date of that acquisition a certificate signed by a director of the Borrower in form and substance satisfactory to the Facility Agent confirming or demonstrating (with calculations giving reasonable detail) that each of the conditions set out in paragraphs (e)(iv) and (e)(v) have been met and to which is attached a copy of the latest audited accounts of such Future Acquisition Target or, if such accounts are not available, evidence (in the form of financial due diligence report or similar materials prepared by independent third parties on a non-reliance basis) demonstrating the amounts relating to such Future Acquisition Target and/or its Subsidiaries used in the computations under paragraphs (e)(iv) and (e)(v) (in the case where such Future Acquisition Target is a business or undertaking, as if such Future Acquisition Target had constituted a separate legal entity);

(f) an acquisition by the Parent of ordinary shares in the Borrower pursuant to a Permitted Share Issue by the Borrower;

(g) an acquisition by a Group Member of Equity Interests in a Group Member (other than the Borrower) pursuant to a Permitted Share Issue by such latter-mentioned Group Member;

(h) an acquisition by the WOFE Guarantor of Equity Interests in the VIE Entity pursuant to the terms of the VIE Contracts; and/or

(i) an acquisition with the prior consent of the Majority Lenders.

"**Permitted Disposal**" means any sale, lease, licence, transfer or other disposal:

(a) of assets by any Group Member in its ordinary course of day-to-day business;

(b) of assets (other than any Equity Interests, businesses, Real Property, Intellectual Property, any right under any VIE Contract or any interest in any of the foregoing) by any Group Member in exchange for other assets comparable or superior as to type, value or quality;

(c) of surplus, obsolete or redundant assets (other than any Equity Interests, businesses or undertakings, Real Property, Intellectual Property, any right under any VIE Contract or any interest in any of the foregoing) by any Group Member for cash;

(d) of cash not otherwise prohibited under the Finance Documents;

(e) of Cash Equivalent Investments for cash or in exchange for other Cash Equivalent Investments;

(f) constituted by the making of any Permitted Loan or Permitted Distribution or arising as the result of any Permitted Security;

(g) that is made with the prior consent of the Majority Lenders;

(h) of Equity Interests in the VIE Entity to the WOFE Guarantor pursuant to the terms of the VIE Contracts;

(i) of any asset by a Group Member (the "**Disposing Company**") to another Group Member (the "**Acquiring Company**"), **provided that**:

(i) if the Disposing Company had given Transaction Security over that asset, the Acquiring Company gives equivalent Transaction Security over that asset;

(ii) (A) if the Disposing Company is not a Future Target Group Member, the Acquiring Company is not a Future Target Group Member and (B) if the Disposing Company is a Future Target Group Member, the Acquiring Company is a Future Target Group Member;

(iii) if the Disposing Company is not a VIE Group Member, the Acquiring Company is not a VIE Group Member; and

(iv) the Ownership Percentage in respect of the Acquiring Company is not less than the Ownership Percentage in respect of the Disposing Company;

(j) constituted by (i) any licence of Intellectual Property in the ordinary course of day-to-day business, (ii) any licence of Intellectual Property by (A) a Group Member (that is not a VIE Group Member) in favour of the WOFE Guarantor or a VIE Group Member pursuant to any VIE Contract or (B) a VIE Group Member in favour of another VIE Group Member pursuant to any VIE Contract or (iii) termination of any licence of Intellectual Property no longer required for the Group's business;

(k) constituted by a disposal of assets by an Onshore Group Member pursuant to a sale and leaseback or similar arrangement to facilitate a Finance Lease (in respect of such assets) of such Onshore Group Member permitted under paragraph (d) of the definition of "Permitted Financial Indebtedness" where such assets disposed of are leased or acquired by an Onshore Group Member pursuant to such Finance Lease;

(l) of assets which are seized or nationalised or any disposal of any asset made to comply with an order of any Governmental Authority or any applicable law or regulation, **provided that**, in each case, such seizure, nationalisation or disposal would not constitute or give rise to any event or circumstance set out in Clause 24.8 (*Creditors' process*) and/or Clause 24.14 (*Expropriation*);

(m) constituted by any close out or other disposal of an interest in any hedging transaction effected (if applicable), in each case, in compliance with the Security Trust Agreement; and/or

(n) of assets by any Onshore Group Member (that is not permitted by any of paragraphs (a) to (m) above, and that does not constitute any sale, lease, licence, transfer or other disposal (i) by a Group Member (that is not a Future Target Group Member) to a Future Target Group Member or (ii) by a Future Target Group Member to a Group Member that is not a Future Target Group Member) for cash where the higher of the market value and consideration (net of applicable costs and Taxes) receivable in respect of such sale, lease, licence, transfer or other disposal (when aggregated with the higher (in each case) of the market value and consideration (net of applicable costs and Taxes) receivable for any and all other sales, leases, licences, transfers and/or other disposals by any or all Onshore Group Members made on or after the Amendment and Restatement Effective Date and not falling within any of paragraphs (a) to (m) above) does not exceed U.S.$8,000,000 (or its equivalent),

but notwithstanding any of the foregoing, none of the assets that is subject to any such sale, lease, licence, transfer or other disposal (except any sale, lease, licence, transfer or other disposal made pursuant to paragraph (i)) shall include any of the following (or any right, title or interest to or in any of the following):

(A) any Equity Interest in any Transaction Obligor or any Group Member (other than a Future Target Group Member) or any Intellectual Property (except, in the case of Intellectual Property, for any disposal falling within paragraph (j));

(B) any rights in respect of, or any amount standing to the credit of, any Offshore Mandatory Prepayment Account, the Distribution Account or the DSRA (excluding any application of any such amount in accordance with the provisions of the Finance Documents); or

(C) any right to receive any Onshore Distributions or any Licence and Consultancy Fees or any right or claim under, or the proceeds of any right or claim under, any VIE Contract.

"**Permitted Distribution**" means the making of a Distribution:

(a) by a Group Member (other than the Borrower) to the holders of equity interests in such Group Member in cash, **provided that** the amount of any such Distribution to any such holder (that is not a Group Member that is wholly-owned directly or indirectly by the Borrower) does not exceed such holder's proportionate share of such equity interests in the Group Member making such Distribution;

(b) by the Borrower to the Parent in cash, **provided that** such Distribution is made (i) out of the proceeds of the Facility A Loan or (ii) after the Listco Flotation Date, out of the proceeds of the Facility B Loan, in each case in accordance with Clause 3.1 (*Purpose*);

(c) by the Parent to its shareholders, provided that such Distribution is not in breach of the Security Trust Agreement;

(d) by a VIE Group Member in favour of another Group Member (that is not a VIE Group Member and that is not a Future Target Group Member) pursuant to the terms of the applicable VIE Contracts;

(e) by a Group Member to any Holding Company of any Group Member for (i) the payment of any administrative costs and office expenses, directors remuneration and fees, professional fees or regulatory costs (in each case relating to any Group Member or any such Holding Company) or (ii) the payment of any Taxes incurred and payable by such Group Member or such Holding Company, provided the (in each case) aggregate amount of any and all Distributions made or to be made by any or all Group Members pursuant to this paragraph (e) shall not exceed U.S.$800,000 (or its equivalent) in aggregate in any Financial Year of the Borrower;

(f) in cash by the Borrower to the Parent or a Holding Company of the Parent from distributable profits of the Borrower, and subject to the conditions that (i) no Event of Default is continuing at the time of declaration of such Distribution or would result from that Distribution being made, (ii) the aggregate amount of such Distributions in any Financial Year ("**Relevant Financial Year**") shall not exceed the amount equal to (A) the Consolidated After-Tax Net Income for the Financial Year immediately prior to such Relevant Financial Year less (B) a percentage of the Consolidated After-Tax Net Income for that immediately prior Financial Year (as set out in the table below beside the Leverage for the Relevant Period ending on the last day of such immediately prior Financial Year) (the amount under (B) being the "**Required Prepayment Amount**") and (iii) such Required Prepayment Amount has been applied towards voluntary prepayment of the Loans in accordance with Clause 7.3 (*Voluntary prepayment*) during such Relevant Financial Year and no later than the time of such Distribution:

Leverage	Percentage of Consolidated After-Tax Net Income to be applied in voluntary prepayment
Equal to or less than 2.0:1	0%
Greater than 2.0:1 but equal to or less than 3.0:1	25%
Greater than 3.0:1	50%

(g) constituted by the payment in cash by any Group Member (or a Holding Company of a Group Member) to the Sponsor of a management fee per annum plus any Indirect Tax thereon (if applicable) plus reasonable expenses incurred by the Sponsor in connection with the Group (collectively "**Management Fees**") not exceeding US$1,000,000 (or its equivalent) in aggregate in any Financial Year, provided that (i) prior to the Listco Flotation Date, such accrued but unpaid Management Fees and Management Fees which would be payable in respect of any Financial Year after the Listco Flotation Date may be paid in a single advance payment not exceeding US$5,000,000 (or its equivalent) in aggregate in accordance with the existing service agreement signed between the Group and the Sponsor (the "**Advance Management Fees**"), (ii) if the Listco Flotation Date does not occur within 12 Months after payment of any Advance Management Fees, such Advance Management Fees shall be refunded to the Borrower (net of any Management Fees which had accrued in the period since payment of such Advance Management Fees) and (iii) if payment of any Advance Management Fees has been made, no further Management Fee shall be paid (except if the Listco Flotation Date does not occur and the refund pursuant to (ii) has been made); and/or

(h) with the prior written consent of the Majority Lenders.

"**Permitted Financial Indebtedness**" means:

(a) any Financial Indebtedness arising under any Finance Document, a Parent Loan or constituting New Shareholder Injections, in each case, subject to the terms of this Agreement and the Security Trust Agreement;

(b) any Financial Indebtedness:

(i) arising under a Permitted Loan (excluding paragraph (c) of the definition of "Permitted Loan");

(ii) arising under a Permitted Guarantee (excluding paragraph (e) of the definition of "Permitted Guarantee"); or

(iii) constituted by any Permitted Hedging Transaction;

(c) any Financial Indebtedness of any person that becomes a Group Member pursuant to a Future Acquisition, which Financial Indebtedness is incurred under arrangements in existence at the date of such Permitted Acquisition, but not incurred or increased (other than pursuant to the accrual of interest) or having its maturity date extended in contemplation of, or since, that Permitted Acquisition, and outstanding only for a period of not more than three months following the date of such Permitted Acquisition, unless such Financial Indebtedness is permitted to remain outstanding pursuant to another paragraph of this definition;

(d) any Indebtedness for Borrowed Money of any Onshore Group Member (owing to a person that is not a Group Member) under finance or capital leases by such Onshore Group Member of vehicles, plant, equipment or computers, and any renewals and/or replacements thereof (each in the form of a finance or capital lease) by such Onshore Group Member, **provided that** the aggregate outstanding capital value and/or amount of any and all such leases (including any renewals and/or replacements thereof) by Onshore Group Members does not exceed U.S.$1,600,000 (or its equivalent in other currencies) at any time;

(e) any Indebtedness for Borrowed Money of any Group Member (other than the Borrower) (i) constituting any earn out or deferred consideration payable by such Group Member to the seller in respect of a Permitted Acquisition by such Group Member (where payment of such earn out or deferred consideration is based on performance of the applicable business (the subject of such Permitted Acquisition)) so long as such earn out or such deferred consideration is permitted (and included in the calculation of the Total Purchase Price in respect of such Permitted Acquisition) pursuant to, and such Permitted Acquisition falls within, paragraph (e) of the definition of "Permitted Acquisition" or (ii) arising in connection with any other deferred consideration in connection with any Permitted Acquisition by such Group Member, **provided that** such deferral is not made or entered into for the purpose of raising Financial Indebtedness and such deferral is for less than 120 days;

(f) any Indebtedness for Borrowed Money of any Onshore Group Member (owing to a person that is not a Group Member), provided that the aggregate outstanding principal amount of such Indebtedness for Borrowed Money when aggregated with the aggregate outstanding principal amount of any and all other Indebtedness for Borrowed Money of any or all Onshore Group Members (other than any permitted under any of paragraphs (a) to (e) above), (i) does not exceed U.S.$8,000,000 (or its equivalent in other currencies) at any time and (ii) the Borrower would have remained in compliance with its obligations under Clause 22.2 (*Financial condition*) if the requirements thereunder were re-calculated on a *pro forma* basis for the Most Recent Relevant Period (as at the incurrence of such Indebtedness for Borrowed Money) taking into account the incurrence of such Indebtedness for Borrowed Money (as if (A) such Indebtedness for Borrowed Money were incurred as at the commencement of and remained outstanding throughout such Most Recent Relevant Period and (B) (if that Most Recent Relevant Period ends prior to the First Test Date) the financial covenants under Clause 22.2 (*Financial condition*) applicable to that Most Recent Relevant Period were the financial covenants under Clause 22.2 (*Financial condition*) applicable to the First Test Date and (C) (if that Most Recent Relevant Period ends prior to the time when the first set of the consolidated financial statements of the Group and the accompanying Compliance Certificate are delivered to the Facility Agent) such Indebtedness for Borrowed Money were incurred by the WOFE Guarantor); and/or

(g) any Financial Indebtedness incurred with the prior written consent of the Majority Lender.

"**Permitted Guarantee**" means:

(a) any guarantee arising under any of the Finance Documents;

(b) any guarantee by any Group Member constituted by any performance or similar bond guaranteeing the performance by such Group Member (or counter-indemnifying any financial institution which has guaranteed such performance by such Group Member) under any contract entered into by such Group Member in the ordinary course of day-to-day business and not relating to Financial Indebtedness, provided that the maximum aggregate liabilities (actual or contingent) of any and all Group Members under any or all such guarantees and counter-indemnities do not at any time exceed U.S.$1,600,000 (or its equivalent in other currencies);

(c) the endorsement of negotiable instruments by any Onshore Group Member in the ordinary course of its day-to-day business;

(d) a guarantee by any Onshore Group Member (the "**Guarantor Company**") in respect of obligations or Financial Indebtedness (which obligations or Financial Indebtedness are permitted to subsist pursuant to the terms of this Agreement) of an Onshore Group Member (the "**Guaranteed Company**") (including any performance or similar bond given by the Guarantor Company guaranteeing performance by the Guaranteed Company under any contract), but **provided that** the maximum aggregate liabilities (actual or contingent) of the Guarantor Company under such guarantee, when aggregated with the maximum aggregate liabilities (actual or contingent) of any and all Group Members under any or all other guarantees falling within this paragraph (d), do not exceed U.S.$8,000,000 (or its equivalent in other currencies) at any time;

(e) any guarantee constituted by Permitted Financial Indebtedness (other than paragraph (b)(ii) of the definition of "Permitted Financial Indebtedness");

(f) any guarantee granted with the prior written consent or approval of the Majority Lenders;

(g) any customary indemnity given by a Group Member in favour of the applicable hedging counterparty in respect of a Permitted Hedging Transaction entered into by such Group Member;

(h) any indemnity (not constituting Financial Indebtedness) given by a Group Member (other than the Borrower) in the ordinary course of the documentation of an acquisition or disposal transaction by such Group Member which is a Permitted Acquisition or Permitted Disposal which indemnity is in a customary form and subject to customary limitations;

(i) customary indemnities (not constituting Financial Indebtedness) given by a Group Member in favour of directors and officers of such Group Member in their capacity as such and in connection with the performance of their duties to the Group;

(j) customary indemnities (not constituting Financial Indebtedness) to (i) professional advisers and consultants under their standard terms of business or (ii) other service providers subject to customary limitations;

(k) a guarantee by a Group Member of another Group Member (that is incorporated in the same jurisdiction or Tax resident in the same jurisdiction as such first-mentioned Group Member) mandatorily arising under Tax or corporate legislation and not as a result of any default or omission by any Group Member;

(l) customary indemnities (not constituting Financial Indebtedness) given by a Group Member in mandate, engagement and commitment letters entered into in respect of Permitted Financial Indebtedness to be incurred by such Group Member;

(m) any guarantee granted by any person that becomes a Group Member (pursuant to a Permitted Acquisition) after the Original Utilisation Date, where that guarantee:

(i) is granted prior to the date of that Permitted Acquisition;

(ii) is not granted, and the aggregate liability thereunder is not increased, and its maturity or expiry date (if any) is not extended, in contemplation of, or since, that Permitted Acquisition; and

(iii) is released within three months of the date of that Permitted Acquisition (unless such guarantee is permitted to subsist pursuant to another paragraph of this definition); or

(n) any customary indemnities given by a Group Member in favour of its landlords pursuant to the terms of the applicable lease of Real Property entered into by such Group Member on arm's length terms and in the ordinary course of business and not relating to Financial Indebtedness;

(o) any guarantee or indemnity given by any Group Member in favour of another Group Member pursuant to any VIE Contract; and/or

(p) any guarantee granted with the prior written consent or approval of the Majority Lenders,

provided that (in each case) none of the guarantees or indemnities given by any Group Member and falling within any of paragraphs (a) to (p) above comprises or includes any guarantee or indemnity given by any Group Member (that is not a Future Target Group Member) in respect of any Future Target Group Member or any obligations or liabilities of any Future Target Group Member.

"**Permitted Hedging Transaction**" means any Treasury Transaction:

(a) contemplated by the Hedging Principles;

(b) entered into in the ordinary course of business of a Group Member (other than the Borrower) for the purpose of hedging anticipated exposures of such Group Member and not for speculative purposes; and/or

(c) approved by the Majority Lenders.

"**Permitted Loan**" means:

(a) any loan constituted by any Lionbridge Investments;

(b) any trade credit extended by a Group Member to its customers, and any advance payment by a Group Member (for goods and services supplied to it) to its suppliers, (in each case) on normal commercial terms and in the ordinary course of its day-to-day business;

(c) any loan constituted by the making available of Financial Indebtedness by a Group Member to a Group Member, which Financial Indebtedness constitutes Permitted Financial Indebtedness (excluding any Financial Indebtedness falling within paragraph (b)(i) of the definition of "Permitted Financial Indebtedness");

(d) a loan or credit by a Group Member (the "**Creditor Company**") to another Group Member (the "**Debtor Company**"), but **provided that** (i) (if the Creditor Company is a Relevant Obligor) the Debtor Company shall be a Relevant Obligor, (ii) (if the Creditor Company is not a Future Target Group Member) the Debtor Company is not a Future Target Group Member, (iii) (if the Creditor Company is an Onshore Group Member) the Debtor Company is an Onshore Group Member and (iv) the aggregate outstanding principal amount of such loan or credit, when aggregated with the outstanding principal amount of any and all such other loans and credits by any or all Group Members falling within this paragraph (d), does not exceed U.S.$8,000,000 (or its equivalent in other currencies) at any time;

(e) any Parent Loan;

(f) a loan made by the Borrower to the Parent to the extent that the amount so lent would have been a Permitted Distribution if distributed by way of dividend, **provided that** the making of such loan shall be deemed to constitute a dividend by the Borrower to the Parent for the purposes of Clause 23.16 (*Dividends and share redemption*) and the definition of "Permitted Distribution";

(g) any loan made by the Parent to its shareholders, provided that such Distribution is not in breach of the Security Trust Agreement;

(h) any loan or credit constituted by any deferred consideration payable by a purchaser in respect of any Permitted Disposal by a Group Member to such purchaser made on arm's length terms;

(i) any loan or credit constituted by the VIE Nominees Loan(s) or any Permitted Transaction;

(j) any loan made by a Group Member to an employee or director of a Group Member, provided that (i) the amount of that loan when aggregated with the amount of all other loans by any or all of Group Members under this paragraph (j) does not exceed U.S.$800,000 (or its equivalent in other currencies) at any time and (ii) no such loan may be made by a Group Member (that is not a Future Target Group Member) to any employee or director of a Future Target Group Member (but this shall not prevent any loan to any employee or director of a Future Target Group Member that is also an employee or a director of a Group Member that is not a Future Target Group Member);

(k) a loan or credit owing by a Group Member (the "**Group Cash Debtor**") to another Group Member (the "**Group Cash Creditor**") constituted by cash pooling arrangements entered into between such Group Members, provided that:

(i) (A) if the Group Cash Creditor is not a Future Target Group Member, the Group Cash Debtor is not a Future Target Group Member and (B) if the Group Cash Creditor is a Future Target Group Member, the Group Cash Debtor is a Future Target Group Member;

(ii) if the Group Cash Creditor is not a VIE Group Member, the Group Cash Debtor is not a VIE Group Member;

(iii) the Ownership Percentage in respect of the Group Cash Debtor is not less than the Ownership Percentage in respect of the Group Cash Creditor; and

(iv) if the Group Cash Creditor is an Onshore Group Member, the Group Cash Debtor is an Onshore Group Member; and/or

(l) any loan which is approved by the Majority Lenders.

"**Permitted Security**" means:

(a) any Transaction Security;

(b) any lien arising by operation of law and in the ordinary course of day-to-day business and not as a result of any default or omission by any Transaction Obligor or any Group Member;

(c) any netting or set-off arrangement entered into by any Group Member in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances of Group Members but only so long as:

(i) such arrangement does not permit credit balances or rights of:

(A) any Future Target Group Member to be netted or set off against debit balances or liabilities of any Group Member (that is not a Future Target Group Member);

(B) any Group Member (that is not a VIE Group Member) to be netted or set off against debit balances or liabilities of any VIE Group Member; or

(C) any Group Member to be netted or set off against debit balances or liabilities of any other Group Member the Ownership Percentage in relation to which is less than the Ownership Percentage in relation to such first-mentioned Group Member; and

(ii) such arrangement does not give rise to other Security or Quasi-Security over the assets of:

(A) any Group Member (that is not a Future Target Group Member) in support of liabilities of any Future Target Group Member;

(B) any Group Member (that is not a VIE Group Member) in support of liabilities of any VIE Group Member; or

(C) any Group Member in support of liabilities of any other Group Member the Ownership Percentage in relation to which is less than the Ownership Percentage in relation to such first-mentioned Group Member;

(d) any payment or close out netting or set-off arrangement pursuant to any Permitted Hedging Transaction entered into by a Group Member, **provided that** the requirements under paragraphs (c)(i) and (c)(ii) are complied with *mutatis mutandis* in respect of such netting or set-off arrangement and such arrangement does not include any Security or Quasi-Security under a credit support arrangement;

(e) any Security or Quasi-Security over or affecting any asset acquired by a Group Member (from a person that is not a Group Member) after the Original Utilisation Date if:

(i) such Security or Quasi-Security was subsisting as at the time of such acquisition and was not created in contemplation of the acquisition of that asset by a Group Member;

(ii) the principal amount secured by such Security or Quasi-Security has not been increased (other than by reason of capitalised interest) in contemplation of or since such acquisition of that asset by a Group Member; and

(iii) such Security or Quasi-Security is removed or discharged within three months of the date of such acquisition of such asset;

(f) any Security or Quasi-Security over or affecting any asset of any person which becomes a Group Member after the Original Utilisation Date, where such Security or Quasi-Security is created prior to the date on which that person becomes a Group Member and:

(i) such Security or Quasi-Security was not created in contemplation of such person's becoming a Group Member;

(ii) the principal amount secured by such Security or Quasi-Security has not increased (other than by reason of capitalised interest) in contemplation of or since that person's becoming a Group Member; and

(iii) such Security or Quasi-Security is removed or discharged within three months of that person's becoming a Group Member;

(g) any Security or Quasi-Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a Group Member in the ordinary course of business and on the supplier's standard or usual terms and not arising as a result of any default or omission by any Group Member;

(h) any Security or Quasi-Security arising (as a consequence of any finance or capital lease of an Onshore Group Member permitted pursuant to paragraph (d) of the definition of "Permitted Financial Indebtedness") over the assets to which such lease relate;

(i) any Security or Quasi-Security constituted by rental deposits made by any Group Member and arising in the ordinary course of its day-to-day business in respect of any property leased or licensed by such Group Member on arm's length terms (and not in connection with the incurrence of any Financial Indebtedness);

(j) any Security or Quasi-Security constituted by any deposit or pledge of cash by any Group Member in the ordinary course of day-to-day business and on arm's length basis (and not in connection with the incurrence of any Financial Indebtedness) to secure the performance of bids, trade contracts, performance bonds and other obligations of a similar nature incurred by such Group Member;

(k) any Security or Quasi-Security over bank accounts (other than any bank account that is, or is expressed to be, subject to Transaction Security) arising by operation of law or granted as part of the standard terms and conditions of the applicable bank or financial institution (with which such bank account is held); or

(l) any Security granted with the prior written consent or approval of the Majority Lenders,

provided that (in each case under paragraphs (b) to (l)) none of such Security or Quasi-Security subsists over or in respect of any of the following assets (or any right, title or interest to or in any of the following): (A) any Equity Interest in any Transaction Obligor or Group Member (other than any Future Target Group Member), (B) any Intellectual Property, (C) any account that is subject to or expressed to be subject to any Transaction Security (other than any netting or set-off arrangement falling within paragraph (c), which arrangement is waived by the applicable account bank to the fullest extent permitted by law in the case of any Offshore Mandatory Prepayment Account, any Proceeds Account, the Distribution Account or the DSRA), or (D) any right to receive any Onshore Distributions or any Licence and Consulting Fees or any right or claim under, or the proceeds of any right or claim under, any VIE Contract.

"**Permitted Share Issue**" means an issue of:

(a) Equity Interests by the Parent (paid for in full in cash upon issue and which by their terms are not redeemable), provided that such issue does not lead to a Change of Control;

(b) ordinary shares by the Borrower to the Parent (paid for in full in cash upon issue and which by their terms are not redeemable) (including by way of New Shareholder Injections), provided that all of such shares become subject to Transaction Security upon the issuance thereof and such issue does not lead to a Change of Control;

(c) Equity Interests by a Group Member (other than the Borrower and the VIE Entity) (the "**Investee**") to any other Group Member (the "**Investor**"), **provided that**:

(i) (if any existing Equity Interests of the Investee are the subject of any Transaction Security) all of such newly-issued Equity Interests also become subject to Transaction Security on the same terms;

(ii) (A) if the Investor is a Group Member that is not a Future Target Group Member, the Investee is a Group Member that is not a Future Target Group Member and (B) if the Investor is a Future Target Group Member, the Investee is a Future Target Group Member;

(iii) (A) if the Investor is a VIE Group Member, the Investee is a VIE Group Member (that is not the VIE Entity) and (B) if the Investor is not a VIE Group Member, the Investee is not a VIE Group Member; and

(iv) the Ownership Percentage of the Investee is not less than the Ownership Percentage of the Investor;

(d) (upon any substitution of an existing VIE Nominee by a new VIE Nominee pursuant to a VIE Nominee Transfer) shares by the VIE Entity to such new VIE Nominee, **provided that** (i) such shares so issued are fully paid-up and (ii) the shares in the VIE Entity that are held or owned by such existing VIE Nominee are cancelled in connection with such issuance;

(e) shares or securities pursuant to a Qualifying Flotation the proceeds of which are applied in accordance with paragraph (b)(ii) of Clause 8.1 (*Exit and Flotation*); and

(f) Equity Interests issued with the prior written consent of the Majority Lenders.

"**Permitted Transaction**" means:

(a) any disposal required, Financial Indebtedness incurred, guarantee, indemnity or Security or Quasi-Security given, or other transaction arising, under the Finance Documents;

(b) any VIE Nominee Transfer;

(c) any payment of cash by a Group Member in favour of a Group Member (that is not a VIE Group Member) pursuant to any VIE Contract;

(d) an amalgamation, demerger, merger, consolidation or corporate reconstruction (in each case) on a solvent basis of a Group Member (other than the Borrower), **provided that:**

(i) all of the business and assets of that Group Member remain solely held and beneficially owned by and are distributed to other Group Members;

(ii) none of such business or assets are held or beneficially owned by, or distributed to, any Group Member the Ownership Percentage of which is less than the Ownership Percentage (immediately prior to such amalgamation, demerger, merger, consolidation or corporate reconstruction) of such first-mentioned Group Member;

(iii) (if such first-mentioned Group Member is not a VIE Group Member) none of its business or assets are or become held or beneficially owned by, or distributed to, any VIE Group Member;

(iv) (A) all of the assets that are subject to any Transaction Security prior to such amalgamation, demerger, merger, consolidation or corporate reconstruction shall continue to be subject to equivalent Transaction Security after such amalgamation, demerger, merger, consolidation or corporate reconstruction and (B) if any Equity Interests in any Group Member (that is involved in such amalgamation, demerger, merger, consolidation or corporate reconstruction) are subject to Transaction Security prior to such amalgamation, demerger, merger, consolidation or corporate reconstruction, the Equity Interests in each surviving or resulting entity shall be subject to equivalent Transaction Security with effect from such amalgamation, demerger, merger, consolidation or corporate reconstruction;

(v) if any Group Member involved in such amalgamation, demerger, merger, consolidation or corporate reconstruction is a Transaction Obligor, (A) each surviving or resulting entity shall be a Transaction Obligor (which shall be a Relevant Obligor if such Group Member is a Relevant Obligor prior to such amalgamation, demerger, merger, consolidation or corporate reconstruction) and (B) all of its obligations under the Transaction Documents shall continue to be legal, valid, binding upon and enforceable against each such surviving or resulting entity with effect from such amalgamation, demerger, merger, consolidation or corporate reconstruction; and

(vi) such amalgamation, demerger, merger, consolidation or corporate reconstruction does not involve any person that is not a Group Member and does not involve the amalgamation, merger or consolidation (or similar arrangement) between a Future Target Group Member and any person that is not a Future Target Group Member, and (A) none of the business or assets of any Future Target Group Member may be or become held or beneficially owned by, or distributed to, any Group Member (that is not a Future Target Group Member) as a result of or in connection with such amalgamation, demerger, merger, consolidation or corporate reconstruction and (B) none of the business or assets of any Group Member (that is not a Future Target Group Member) may be or become held or beneficially owned by, or distributed to, any Future Target Group Member as a result of or in connection with such amalgamation, demerger, merger, consolidation or corporate reconstruction;

(e) any transaction (other than (i) any sale, lease, licence, lending, transfer or other disposal, (ii) the granting or creation of Security or the granting, incurring or permitting to subsist of Financial Indebtedness or guarantee and (iii) any acquisition of any Equity Interest or business or undertaking) conducted in the ordinary course of trading on arm's length terms;

(f) the solvent liquidation of any Group Member (which is not a Transaction Obligor) so long as and all any payments or assets distributed as a result of such liquidation are distributed to other Group Members that are the holders of Equity Interests in such first-mentioned Group Member pro rata according to their respective Equity Interests in such first-mentioned Group Member, and are not distributed, paid or transferred to any person that is not a Group Member, and such liquidation would not reasonably be expected to have a Material Adverse Effect; and/or

(g) any other transaction entered into with the prior written consent of the Majority Lenders.

"**Permitted Transferee**" means, in relation to a Transfer, any bank, financial institution, trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in syndicated loans **but excluding** any such entity which is, to the knowledge of the Existing Lender or Lender making such Transfer, a Conflicted Lender or a Distressed Investor.

"**PRC**" means the People's Republic of China (which, for the purposes of this Agreement, does not include Hong Kong, the Special Administrative Region of Macau or Taiwan).

"**PRC Business Day**" means a day (other than a Saturday or Sunday) on which banks are open for general business in Beijing.

"**Proceeds Account**" means an interest-bearing account:

(a) held in Taipei or any other jurisdiction reasonably satisfactory to the Facility Agent by an Offshore Group Member (that is a Relevant Obligor) with the Facility Agent (or an Affiliate thereof specified by the Facility Agent);

(b) identified in writing (including in a Transaction Security Document) between (i) the Borrower and (ii) the Facility Agent or the Security Agent as a "Proceeds Account"; and

(c) (subject to Legal Reservations) subject to fixed Security in favour of the Security Agent which Security is in form and substance satisfactory to the Facility Agent and Security Agent,

(as the same may be re-designated, substituted or replaced from time to time).

"**Qualifying Flotation**" has the meaning given to that term in Clause 8.1 (*Exit and Flotation*).

"**Quarter Date**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**Quasi-Security**" has the meaning given to that term in Clause 23.11 (*Negative pledge*).

"**Quotation Day**" means:

(a) in relation to any period for which an interest rate is to be determined for any amount denominated in any currency, two Business Days before the first day of that period unless market practice differs in the Relevant Interbank Market for such currency, in which case the Quotation Day for that currency will be determined by the Facility Agent in accordance with market practice in the Relevant Interbank Market (and if quotations would normally be given by leading banks in the Relevant Interbank Market on more than one day, the Quotation Day will be the last of those days); and

(b) in relation to any Interest Period the duration of which is selected by the Facility Agent pursuant to Clause 10.3 (*Default interest*), such date as may be reasonably determined by the Facility Agent.

"**Real Property**" means:

(a) any freehold, leasehold or immovable property; and

(b) any buildings, fixtures, fittings, fixed plant or machinery from time to time situated on or forming part of that freehold, leasehold or immovable property.

"**Recapitalisation**" means any return of capital, repayment of capital contribution or other redemption, repurchase, retirement or reduction of Equity Interests of any Onshore Group Member.

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.

"**Reference Bank Rate**" means, in relation to any Loan or any Unpaid Sum and any Interest Period relating thereto, the arithmetic mean of the rates (rounded upwards to four decimal places) as supplied to the Facility Agent at its request by each of the Reference Banks, as the rate at which such Reference Bank could borrow funds in the London interbank market, in the currency of such Loan or such Unpaid Sum and for such Interest Period, were it to do so by asking for and then accepting interbank offers for deposits in reasonable market size in such currency and for such Interest Period.

"**Reference Banks**" means the principal London offices of HSBC Bank plc, Standard Chartered Bank and JPMorgan Chase Bank, N.A. or such other banks as may be appointed by the Facility Agent in consultation with the Borrower.

"**Refinancing**" has the meaning given to it in paragraph (a) of Clause 3.1 (*Purpose*).

"**Related Fund**" in relation to a fund (the "**first fund**"), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

"**Related Persons**" means:

(a) (i) any Sponsor Affiliate, any Related Fund relating to any of the foregoing, or (ii) any VIE Nominee, any Family Member or any Affiliate of any of the foregoing;

(b) any holder or beneficial owner of any Equity Interest of any Group Member, the Parent, or any Affiliate of any such holder or beneficial owner; or

(c) any Joint Venture in which any person referred to in paragraph (a) or (b) above or any Group Member is a member or is party,

provided that "Related Persons" shall not include Group Members.

"**Relevant Guarantors**" means the Guarantors and the Onshore Guarantors (each a "**Relevant Guarantor**").

"**Relevant Obligors**" means the Borrower and the Relevant Guarantors (each a "**Relevant Obligor**").

"**Relevant Interbank Market**" means the London interbank market.

"**Relevant Jurisdictions**" means, in relation to any Total Transaction Obligor or any Group Member:

(a) (in respect of any Total Transaction Obligor) its Original Jurisdiction and (in respect of any Group Member that is not a Total Transaction Obligor) its jurisdiction of incorporation or establishment;

(b) any jurisdiction where any asset subject to or intended to be subject to the Transaction Security to be created by it is situated; and

(c) any jurisdiction where it conducts its business.

"**Relevant Period**" has the meaning given to that term in Clause 22.1 (*Financial definitions*).

"**Repayment Date**" means:

(a) (in respect of Facility A) each of the dates falling 12, 24, 36, 48 and 60 Months after the Amendment and Restatement Effective Date;

(b) (in respect of Facility B) the Termination Date (in respect of Facility B); or

(c) (in respect of any Incremental Facility) a date for scheduled repayment of such Incremental Facility as set out in the Incremental Facility Notice relating to such Incremental Facility (subject to Clause 2.5 (*Incremental Facilities*)).

"**Repayment Instalment**" means:

(a) in relation to Facility A, any instalment for the repayment of the Facility A Loan(s) on any Repayment Date (in respect of Facility A) as determined in accordance with Clause 6.1 (*Repayment of the Loan*); or

(b) in relation to any Incremental Facility, any instalment for the repayment of Incremental Facility Loan(s) under such Incremental Facility on any Repayment Date (in respect of such Incremental Facility) as determined in accordance with the Incremental Facility Notice relating to such Incremental Facility (subject to Clause 2.5 (*Incremental Facilities*).

"**Repeating Representations**" means each of the representations set out in Clause 20.2 (*Status*) to Clause 20.7 (*Governing law and enforcement*), Clause 20.10 (*No default*), paragraph (a) of Clause 20.11 (*No misleading information*) (with respect to any information provided since the last time such representation or warranty was made), paragraph (c) of Clause 20.12 (*Original Financial Statements*), paragraph (c) of Clause 20.18 (*Security, Financial Indebtedness and guarantees*), Clause 20.19 (*Good title to assets*), Clause 20.21 (*Shares*) and paragraph (a) of Clause 20.24 (*VIE Contracts*).

"**Representative**" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"**SAFE**" means the State Administration of Foreign Exchange of the PRC (国家外汇管理局) (including its successors), or its local branch.

"**SAFE Circular 37**" means the Circular on Related Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and in Roundtrip Investment via Special Purpose Companies (国家外汇管理局关于境内居民通过特殊目的公司境外投融资及返程投资外汇管理有关问题的通知) (Hui Fa [2014] No. 37), issued by SAFE on 4 July 2014, effective from 4 July 2014, and any implementation, successor rule or regulation which is effective from time to time relating thereto under PRC law.

"**SAFE Rules**" means:

(a) the Circular on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment (国家外汇管理局关于进一步简化和改进直接投资外汇管理政策的通知) (Hui Fa [2015] No. 13), issued by SAFE on 13 February 2015, effective from 1 June 2015, and any implementation, successor rule or regulation which is effective from time to time relating thereto under PRC law;

(b) SAFE Circular 37; and

(c) the Notice of the State Administration of Foreign Exchange on Issues concerning the Foreign Exchange Administration of Domestic Individuals' Participation in Equity Incentive Plans of Overseas Listed Companies (国家外汇管理局关于境内个人参与境外上市公司股权激励计划外汇管理有关问题的通知) (Hui Fa [2012] No. 7) issued by SAFE on 15 February 2012, effective from 15 February 2012, and any implementation, successor rule or regulation which is effective from time to time relating thereto under PRC law.

"**SAIC**" means the State Administration of Industry and Commerce of the PRC (中华人民共和国国家工商行政管理总局) (including its successors), or its local counterpart.

"**Screen Rate**" means, in relation to LIBOR for any Loan and any Unpaid Sum and any Interest Period relating thereto, the London interbank offered rate administered by the ICE Benchmark Administration Limited (or any other person which takes over the administration of that rate) for the currency of such Loan or such Unpaid Sum and such Interest Period displayed on page LIBOR01 of the Reuters screen (or any replacement Reuters page which displays that rate) or on the appropriate page of such other information service which publishes that rate from time to time in place of Reuters, or if such page or service ceases to be available, on such other page or service displaying such rate as specified by the Facility Agent after consultation with the Borrower.

"**Secured Obligations**" has the meaning given to it in the Security Trust Agreement.

"**Secured Parties**" has the meaning given to it in the Security Trust Agreement.

"**Security**" means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

"**Security Confirmation Documents**" has the meaning given that term in the Amendment and Restatement Agreement.

"**Security Trust Agreement**" means the security trust agreement dated 14 July 2016 and made between, among others, the Parent, the Borrower, the HK Guarantor, the Cayman Guarantor, the Security Agent, the Facility Agent and the Mandated Lead Arranger.

"**Selection Notice**" means a notice substantially in the form set out in Part II of Schedule 3 (*Request and Notices*).

"**Semi-Annual Financial Statements**" has the meaning given to that term in Clause 21 (*Information undertakings*).

"**Senior Facility B Discharge Date**" has the meaning given to it in the Security Trust Agreement.

"**Share Charge (Borrower)**" means a share charge to be entered into by the Parent in favour of the Security Agent in respect of shares in the Borrower, in form and substance satisfactory to the Security Agent.

"**Share Charge (Cayman Guarantor)**" means a share charge to be entered into by the Borrower in favour of the Security Agent in respect of shares in the Cayman Guarantor, in form and substance satisfactory to the Security Agent.

"**Share Charge (HK Guarantor)**" means a share charge to be entered into by the Borrower in favour of the Security Agent in respect of shares in the HK Guarantor, in form and substance satisfactory to the Security Agent.

"**Signing Date**" means the date of this Agreement.

"**Specified Time**" means a time determined in accordance with Schedule 10 (*Timetables*).

"**Sponsor**" means Bain Capital Private Equity, LP, any funds, co-investment vehicles, limited partnerships or other similar vehicles managed or advised by Bain Capital Private Equity, LP, or by any of their Affiliates (but excluding, in each case, any portfolio companies or portfolio entities of any of the foregoing and any Subsidiary of any such portfolio company or portfolio entity).

"**Sponsor Affiliate**" means the Sponsor, any Affiliate of the Sponsor, any trust of which the Sponsor or any of its Affiliates is a trustee, any partnership of which the Sponsor or any of its Affiliates is a partner and any trust, fund or other entity which is managed by, or is under the control of, the Sponsor or any of its Affiliates, **provided that**:

(a) any such trust, fund or other entity (which is not itself a Group Member, any Total Transaction Obligor or the Sponsor) which has been established for at least six months solely for the purpose of making, purchasing or investing in loans or debt securities and which is managed or controlled independently from all other trusts, funds or other entities managed or controlled by the Sponsor or any of its Affiliates which have been established for the primary or main purpose of investing in the share capital of and/or equity interests in companies and/or entities; or

(b) any banking arm, branch or Affiliate of the Sponsor which (i) has the Authorisation to engage in financial services and businesses (including lending and investment banking), (ii) is separated by information barriers from the Sponsor (and any team or part of the Sponsor that is engaged in or involved in relation to any Finance Document or any transactions contemplated thereby) and (iii) (in the case of an Affiliate of the Sponsor) is not itself a Group Member or any Total Transaction Obligor,

shall not constitute a Sponsor Affiliate.

"**Sponsor Change of Control Release Condition**" has the meaning given to that term in Clause 1.8 (*Change of Control Disapplication*).

"**Subsequent VIE Nominee Transfer**" means the transfer (other than the Initial VIE Nominee Transfer) of all the equity interest in the VIE Entity held by an existing VIE Nominee to such person appointed as a new VIE Nominee by the Sponsor (or, after the Sponsor Change of Control Release Condition is satisfied, the Borrower) after the date of this Agreement, provided that the VIE Nominee Transfer Conditions are satisfied with respect to such transfer and such new VIE Nominee complies with the "know your customer" and similar requirements of the Finance Parties.

"**Subsidiary**" means in relation to any company, corporation or entity, a company, corporation or entity:

(a) which is controlled, directly or indirectly, by the first mentioned company, corporation or entity;

(b) more than half the issued share capital, registered capital or equity interest of which is beneficially owned, directly or indirectly by the first mentioned company, corporation or entity; or

(c) which is a Subsidiary of another Subsidiary of the first mentioned company, corporation or entity,

and for this purpose, a company, corporation or entity shall be treated as being controlled by another if that other company, corporation or entity is able to direct its affairs and/or to control the majority of the composition of its board of directors or equivalent body, **provided that** (without prejudice to the foregoing) each VIE Group Member shall be deemed to be a "Subsidiary" of the Borrower for the purposes of the Finance Documents.

"**Syndication Date**" has the meaning given to that term in the Syndication Letter.

"**Syndication Letter**" means the syndication letter dated on or about the Amendment and Restatement Date from the Mandated Lead Arranger to the Borrower.

"**Target EBITDA**" has the meaning given to that term in paragraph (e) of the definition of "Permitted Acquisition".

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"**Term Facilities**" means Facility A and Facility B and "**Term Facility**" means any one of them.

"**Term Loan**" means a Facility A Loan or the Facility B Loan.

"**Termination Date**" means:

(a) (in relation to Facility A) the date which is 60 Months after the Amendment and Restatement Effective Date; and

(b) (in relation to Facility B) the date which is the earlier of:

(i) the date falling 6 Months after the Amendment and Restatement Effective Date; and

(ii) the date falling ten (10) Business Days after the Listco Flotation Date.

"**Test Date**" has the meaning given to it in Clause 22.2 (*Financial condition*).

"**Total Commitments**" means the aggregate of the Total Facility A Commitments, the Total Facility B Commitments and the Incremental Facility Commitments in respect of each Incremental Facility, being U.S.$140,000,000 at the Amendment and Restatement Effective Date.

"**Total Facility A Commitments**" means the aggregate of the Facility A Commitments, being U.S.$110,000,000 at the Amendment and Restatement Effective Date.

"**Total Facility B Commitments**" means the aggregate of the Facility B Commitments, being U.S.$30,000,000 at the Amendment and Restatement Effective Date.

"**Total Purchase Price**" means, in respect of any acquisition of any interest in any Future Acquisition Target, the consideration (including associated costs and expenses) for that acquisition and any Financial Indebtedness or other assumed actual or contingent liability, in each case, remaining in such Future Acquisition Target and/or its Subsidiaries at the time of such acquisition.

"**Total Transaction Obligors**" means:

(a) the Transaction Obligors; and

(b) each party to the Distribution Account Charge (other than any Secured Party).

"**Trade Instruments**" means any performance bonds, advance payment bonds or documentary letters of credit issued in respect of the obligations of any Group Member (which obligations do not constitute Financial Indebtedness) arising in the ordinary course of trading of that Group Member.

"**Transaction Costs**" means costs, fees, commissions and expenses payable by any Group Member (to a person that is not a Group Member) in connection with any Permitted Acquisition, Permitted Disposal, Permitted Share Issue or Permitted Transaction (other than, in each case, in the ordinary course of trading).

"**Transaction Documents**" means the Finance Documents and the VIE Contracts.

"**Transaction Obligors**" means:

(a) each Relevant Obligor;

(b) each person (that is not a Secured Party) that gives or purports to give any guarantee or indemnity pursuant to a Guarantee; and

(c) each person (that is not a Secured Party) that grants or purports to grant any Security pursuant to a Transaction Security Document (other than the Distribution Account Charge),

(each, a "**Transaction Obligor**").

"**Transaction Security**" means the Security created or expressed to be created in favour of the Security Agent pursuant to the Transaction Security Documents.

"**Transaction Security Documents**" means:

(a) the Share Charge (Borrower);

(b) the Share Charge (Cayman Guarantor);

(c) the Share Charge (HK Guarantor);

(d) the Debenture (Borrower);

(e) the Debenture (HK Guarantor);

(f) the Debenture (Cayman Guarantor);

(g) the Distribution Account Charge;

(h) each Account Pledge Agreement;

(i) the Equity Pledge (WOFE Guarantor);

(j) the Security Confirmation Documents; and

(k) any other document entered into by any person creating or expressed to create any Security over all or any part of its assets in respect of the obligations of any of the Relevant Obligors under any of the Finance Documents.

"**Transfer**" means a Debt Purchase Transaction entered into by a Lender as assignor or transferor or by way of Voting Participation.

"**Transfer Certificate**" means a certificate substantially in the form set out in Schedule 5 (*Form of Transfer Certificate*) or any other form agreed between the Facility Agent and the Borrower.

"**Transfer Date**" means, in relation to an assignment or a transfer by a Lender of any or all of its rights and/or obligations under this Agreement, the later of:

(a) the proposed "Transfer Date" specified in the relevant Assignment Agreement or Transfer Certificate relating to such assignment or transfer; and

(b) the date on which the Facility Agent executes such Assignment Agreement or Transfer Certificate.

"**Treasury Transactions**" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

"**Unpaid Sum**" means any sum due and payable but unpaid by a Total Transaction Obligor under the Finance Documents.

"**U.S.**", "**United States of America**" and "**United States**" means the United States of America, its territories, possessions and other areas subject to the jurisdiction of the United States of America.

"**Utilisation**" means any utilisation of any Facility.

"**Utilisation Date**" means the date of a Utilisation, being the date on which the Loan (the subject of such Utilisation) is made or to be made, **provided that** any reference to "Utilisation Date" in respect of (a) any Facility shall be a reference to the date on which the Loan under such Facility is made or to be made or (b) any Loan shall be a reference to the date on which such Loan is made or to be made.

"**Utilisation Request**" means a notice substantially in the form set out in Part I of Schedule 3 (*Request and Notices*).

"**VIE Contracts**" means the VIE Structure Documents and the Licence Documents.

"**VIE Economic Interest Percentage**" means the aggregate of the direct or indirect economic interest (expressed as a percentage) in the VIE Entity the benefit of which belongs to, is given or transferred to, a Group Member (that is not a VIE Group Member) pursuant to the VIE Contracts, multiplied by the Ownership Percentage in relation to such Group Member.

"**VIE Entity**" means Beijing Step Ahead Education Technology Development Co., Ltd. (北京領語堂教育科技發展有限公司), a company incorporated under the laws of the PRC with registered number 91110105670561149N.

"**VIE Entity Equity Pledge**" means (a) the pledge of equity interests in the VIE Entity granted by Wang Hong Zi (王孜弘) and Zhang Zhen Yu (張振宇) in favour of the WOFE Guarantor pursuant to the equity pledge agreement dated 11 October 2013 between the WOFE Guarantor as pledgee, the VIE Nominees as pledgors and the VIE Entity or (b) (upon any VIE Nominee Transfer) any pledge of equity interests in the VIE Entity granted by each of the VIE Nominees (including the VIE Nominee to which such VIE Nominee Transfer is made) in favour of the WOFE Guarantor as contemplated by the VIE Nominee Transfer Conditions.

"**VIE Group Members**" means the VIE Entity and its Subsidiaries from time to time (each a "**VIE Group Member**").

"**VIE Nominees**" means:

(a) Wang Hong Zi (王孜弘);

(b) (prior to the occurrence of the Initial VIE Nominee Transfer) Zhang Zhen Yu (張振宇);

(c) (following the occurrence of the Initial VIE Nominee Transfer) Zhang Peng (张鹏); and

(d) (following the occurrence of a Subsequent VIE Nominee Transfer) any other individual appointed as a "VIE Nominee" by the Sponsor or the Borrower after the date of this Agreement with written notice to the Facility Agent and to whom all of the equity interests in the VIE Entity held by an existing VIE Nominee is transferred,

which in each case has not ceased to be the registered holder of equity interests in the VIE Entity as the result of a VIE Nominee Transfer.

"**VIE Nominee (ZP) Loan**" means the loan to be granted by the WOFE Guarantor to Zhang Peng (张鹏) following the occurrence of the Initial VIE Nominee Transfer, pursuant to a loan agreement to be entered into between the WOFE Guarantor as lender and Zhang Peng (张鹏) as borrower, provided that such loan is made in compliance with the VIE Nominee Transfer Conditions.

"**VIE Nominees Loans**" means:

(a) the RMB1,600,000 loan granted by the WOFE Guarantor to Zhang Zhen Yu (張振宇) pursuant to a loan agreement dated 26 August 2013 between the WOFE Guarantor as lender and Zhang Zhen Yu (張振宇) as borrower;

(b) the RMB400,000 loan granted by the WOFE Guarantor to Wang Hong Zi (王孜弘) pursuant to an amended and restated loan agreement dated 11 October 2013 between the WOFE Guarantor as lender and Wang Hong Zi (王孜弘) as borrower;

(c) (following the occurrence of the Initial VIE Nominee Transfer) the VIE Nominee (ZP) Loan; and

(d) (following the occurrence of a Subsequent VIE Nominee Transfer in favour of a VIE Nominee appointed by the Sponsor or the Borrower after the date of this Agreement) such other loan granted by the WOFE to such VIE Nominee in connection with such Subsequent VIE Nominee Transfer and in compliance with the VIE Nominee Transfer Conditions,

(which in each case has not been discharged, terminated or ceased to be in effect as the result of a VIE Nominee Transfer), provided that (in each case) (i) the aggregate amount of any and all such loan(s) is not increased at any time after the date of this Agreement except for a VIE Nominee Transfer Loan Increase and (ii) no Group Member makes or is liable to make any payment in respect of any such loan on or after the date of this Agreement (except for (A) a VIE Nominee Transfer Loan Increase and (B) (in the case of a VIE Nominee Transfer from an existing VIE Nominee to a new VIE Nominee) any such payment in respect of the making of a VIE Nominee Loan to such new VIE Nominee upon such VIE Nominee Transfer, to the extent that such payment is funded from the repayment of the VIE Nominee Loan made to such existing VIE Nominee.

"**VIE Nominee Transfer**" means the Initial VIE Nominee Transfer or any Subsequent VIE Nominee Transfer.

"**VIE Nominee Transfer Conditions**" means, in connection with any transfer by a VIE Nominee ("**VIE Nominee Transferor**") of any equity interest in the VIE Entity to any person ("**VIE Nominee Transferee**"):

(a) such VIE Nominee Transferor transfers all of the equity interests in the VIE Entity that are held by it to such VIE Nominee Transferee;

(b) together with such transfer:

(i) such VIE Nominee Transferee, the VIE Entity, the WOFE Guarantor and each other VIE Nominee enter into VIE Structure Documents that have the effect of substituting such VIE Nominee Transferor with such VIE Nominee Transferee but are otherwise on substantially the same terms as the VIE Structure Documents that are in existence immediately prior to such transfer (and the obligations of such VIE Nominee Transferor under the VIE Structure Documents shall terminate or be discharged upon such transfer);

(ii) the WOFE Guarantor makes a loan to such VIE Nominee Transferee, **provided that** (A) the amount of such loan to such VIE Nominee Transferee is equal to the amount of such VIE Nominee Loan owing by such VIE Nominee Transferor (except for any increase to the extent that the amount of such increase is solely for the purpose of and is entirely applied towards the payment of any relevant PRC tax payable in respect of such VIE Nominee Transfer and other ancillary fees and costs payable to any Governmental Agency in the PRC in respect of such VIE Nominee Transfer (such increase upon a VIE Nominee Transfer being a "**VIE Nominee Transfer Loan Increase**")) and such VIE Nominee Loan owing by such VIE Nominee Transferor is reduced, repaid or discharged in the same amount and (B) no cash is paid or required to be paid by any Group Member in respect of the consideration for such transfer or the making of such loan (except for (1) payment of the amount of any such VIE Nomine Transfer Loan Increase and (2) any payment in respect of the making of such loan to such VIE Nominee Transferee, to the extent that such payment is funded from the repayment of the VIE Nominee Loan made to such VIE Nominee Transferor); and

(iii) (without prejudice to paragraph (b)(i)) such VIE Nominee Transferee pledges all of the equity interests in the VIE Entity transferred to it in favour of the WOFE Guarantor, and that such pledge is recorded in the register of shareholders of the VIE Entity and is (within 30 Business Days of such transfer) duly registered with applicable Governmental Agency or Governmental Agencies in the PRC; and

(c) none of the VIE Structure Documents is discharged, terminated or ceases to be in effect as the result of such transfer, except to the extent that they are replaced by substantially equivalent VIE Structure Documents as contemplated by paragraph (b)(i).

"**VIE Structure Documents**" means:

(a) the business co-operation agreement dated 30 September 2013 between, among others, the WOFE Guarantor, the VIE Entity and the VIE Nominees;

(b) (prior to the occurrence of the Initial VIE Nominee Transfer) the loan agreement dated 26 August 2013 between the WOFE Guarantor as lender and Zhang Zhen Yu (張振宇) as borrower;

(c) (following the occurrence of the Initial VIE Nominee Transfer) the loan agreement to be entered into between the WOFE Guarantor as lender and Zhang Peng (张鹏) as borrower in relation to the VIE Nominee (ZP) Loan;

(d) the amended and restated loan agreement dated 11 October 2013 between the WOFE Guarantor as lender and Wang Hong Zi (王孜弘) as borrower;

(e) the equity pledge agreement dated 11 October 2013 between the VIE Nominees as pledgors, the WOFE Guarantor as pledgee and the VIE Entity;

(f) the proxy agreement dated 11 October 2013 between the WOFE Guarantor, the VIE Nominees and the VIE Entity;

(g) the call-option agreement dated 11 October 2013 between the WOFE Guarantor, the VIE Nominees and the VIE Entity in respect of equity interests in the VIE Entity; and

(h) any other arrangement, instrument or agreement that constitutes, or forms part of, any contractual arrangements enabling a Group Member (that is not a VIE Group Member) to exercise Control over a VIE Group Member or consolidate the financial condition or results of operation of any VIE Group Member for the purposes of the consolidated financial statements of the Group or any Group Member (that is not a VIE Group Member) (including such other arrangement, instrument or agreement resulting from a VIE Nominee Transfer after the date of this Agreement),

including (in each case and for the avoidance of doubt) any renewal or replacement thereof, which in each case has not been discharged, terminated or ceased to be in effect as the result of a VIE Nominee Transfer.

"**VIE Termination Event**" means each of the following events or circumstances:

(a) any material provision of a VIE Contract (or any material arrangements or transactions contemplated by the VIE Contracts or any part thereof) (i) is or becomes or (ii) is expressly declared by any Government Agency or any court to be, illegal, invalid, non-binding or unenforceable, or any VIE Contract is not or ceases to be in full force and effect, or any security expressed to be granted by or pursuant to the VIE Entity Equity Pledge is not or ceases to be valid and effective (it being acknowledged that any person to which equity interests in the VIE Entity are to be transferred upon enforcement of the VIE Entity Equity Pledge (including the identity and qualifications of such person) shall be required to comply with applicable requirements under the laws of the PRC in order for such transfer to be effective) or does not or ceases to have the priority that it is expressed to have;

(b) any party to a VIE Contract shall have failed to comply with any material provision of or perform any of its material obligations under any VIE Contract to which it is a party and (if such failure is capable of being remedied) such failure is not remedied within 20 Business Days;

(c) any party to any VIE Contract repudiates or purports in writing to repudiate any VIE Contract;

(d) any VIE Contract is terminated, rescinded, superseded or cancelled or any party to any VIE Contract purports in writing to terminate, rescind, supersede or cancel any VIE Contract;

(e) any VIE Contract expires (except where such VIE Contract is (i) simultaneously renewed on substantially the same terms on or prior to the expiry of such VIE Contract or (ii) (in the case of a Licence Document only) renewed within 30 days of such expiry on substantially the same terms);

(f) any transfer of any equity interest in the VIE Entity occurs (except for any transfer in favour of the WOFE Guarantor) and such transfer does not constitute a VIE Nominee Transfer or the VIE Nominee Transfer Conditions are not satisfied with respect to such transfer;

(g) the WOFE Guarantor does not, or ceases to have Control over the VIE Group (taken as a whole); or

(h) (i) any of the VIE Nominees dies, is of unsound mind, or becomes mentally incapacitated or unable to manage his affairs or (ii) any Event of Default under Clause 24.6 (*Insolvency*) or 24.7 (*Insolvency proceedings*) occurs with respect to any VIE Nominee (as if any reference therein to any Transaction Obligor or any Group Member were a reference to such VIE Nominee), unless (in each case) such VIE Nominee is replaced by another individual nominated by the Sponsor or the Borrower as a VIE Nominee and a VIE Nominee Transfer (in respect of all of the equity interests held by such first-mentioned VIE Nominee to such individual) has been validly made in compliance with the VIE Nominee Transfer Conditions no later than 60 days after the occurrence of (i) or (ii) (as the case may be).

"**Voting Participation**" means a Debt Purchase Transaction under paragraph (b) or (c) of the definition of "Debt Purchase Transaction" which involves a transfer of any voting rights, directly or indirectly, under, or in relation to, the Finance Documents (including arising as a result of being able to direct the way that another person exercises its voting rights).

"**Weighted Average Life to Maturity**" means, in respect of any Financial Indebtedness, at any date of determination, the quotient obtained by dividing:

(a) the sum of the products of (i) the number of years from such date of determination to the date of each successive scheduled principal repayment or redemption of such Financial Indebtedness and (ii) the amount of such scheduled principal repayment or redemption; by

(b) the sum of all such scheduled principal repayments or redemptions falling after the date of such date of determination.

"**WOFE Guarantor**" means Rise (Tianjin) Education Information Consulting Co., Ltd. (瑞思(天津)教育信息咨詢有限公司), a company incorporated under the laws of the PRC with registered number 120116400010602.

1.2 **Construction**

(a) Unless a contrary indication appears, a reference in this Agreement to:

(i) the **Facility Agent**, any **Mandated Lead Arranger**, any **Finance Party**, any **Hedge Counterparty**, any **Lender**, any **Obligor**, any **Relevant Obligor**, any **Transaction Obligor**, any **Total Transaction Obligor**, any **Party**, any **Secured Party**, the **Security Agent** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees to, or of, its rights and/or obligations under the Finance Documents and, in the case of the Security Agent, any person for the time being appointed as Security Agent or Security Agents in accordance with the Finance Documents;

(ii) a document in the "**agreed form**" is a document which is previously agreed in writing (including via email) by or on behalf of the Borrower and the Facility Agent;

(iii) "**assets**" includes present and future properties, revenues and rights of every description;

(iv) a "**certified copy**" means a copy certified by a director of the Borrower as being true, accurate and complete copy of the original;

(v) a **Finance Document** or a **Transaction Document** or any other agreement or instrument is a reference to that Finance Document, Transaction Document or other agreement or instrument as amended, novated, supplemented, extended, restated (however fundamentally and whether or not more onerously) or replaced and includes any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under that Finance Document, Transaction Document or other agreement or instrument;

(vi) a "**group of Lenders**" includes all the Lenders (and/or any group of less than all of the Lenders);

(vii) "**guarantee**" means (other than in Clause 19 (*Guarantee and indemnity*) or any Guarantee) any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness;

(viii) "**including**" (or similar expressions) means including without limitation;

(ix) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(x) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, Joint Venture, consortium, partnership or other entity (whether or not having separate legal personality);

(xi) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, with which compliance is customary) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation;

(xii) one person is "**acting in concert**" with another person in relation to any Equity Interests in any entity if, whether pursuant to any agreement or understanding, formal or informal or otherwise, such persons actively co-operate to obtain, maintain, consolidate or exercise Control over that entity or control of the voting rights attaching to Equity Interests in that entity to a greater extent than would be possible by reason of each such person's individual holding of Equity Interests in such entity alone;

(xiii) a provision of law is a reference to that provision as amended or re-enacted;

(xiv) a time of day is a reference to Taipei time.

(b) Section, Clause and Schedule headings are for ease of reference only.

(c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.

(d) A Default or an Event of Default is "**continuing**" if it has not been waived or remedied. In addition, if a Default (including an Event of Default) occurs for a failure to deliver a required certificate, notice or other similar document in connection with another Default (such other Default being an "**Initial Default**") then at the time such Initial Default is remedied or waived, such Default (including an Event of Default) for a failure to report or deliver a required certificate, notice or other similar document in connection with the Initial Default will also be cured without any further action, save in circumstances where the matters contemplated by the foregoing have given rise to an Acceleration Event.

(e) In the event that any amount or transaction satisfies the criteria of more than one of the baskets or exceptions set out in Clause 23 (*General undertakings*), the Borrower may classify and may from time to time reclassify that amount or transaction to a particular basket or exception set out in Clause 23 (*General undertakings*) (and, for the avoidance of doubt, an amount or transaction may be at the option of the Borrower be split between different baskets or exceptions set out in Clause 23 (*General undertakings*) in each case, without double counting.

(f) If, as shown by the most recent Compliance Certificate delivered with the Quarterly Financial Statements, Semi-Annual Financial Statements or Annual Financial Statements, any Group Member makes any Future Acquisition and on the last day of the Relevant Period in which completion of that Relevant Acquisition occurs, such Future Acquisition results in Adjusted EBITDA for such Relevant Period (calculated without giving effect to paragraph (b)(i)(C) of Clause 22.3 (*Financial testing*) or any Relevant Synergies) ("**Adjusted Non-Synergy EBITDA**" for such Relevant Period) exceeding EBITDA for such Relevant Period (the percentage by which (i) the amount by which Adjusted Non-Synergy EBITDA for such Relevant Period exceeds EBITDA for such Relevant Period solely as a result of that Future Acquisition bears to (ii) the EBITDA for such Relevant Period being the "**Relevant Increase**"), each of the Relevant Baskets shall be permanently increased by the same percentage as such Relevant Increase, **provided that** for such purposes, "**Relevant Baskets**" means each of the threshold amounts set forth in paragraph (n) of the definition of "Permitted Disposal", paragraphs (d) and (f) of the definition of "Permitted Financial Indebtedness", paragraphs (b) and (d) of the definition of "Permitted Guarantee" and paragraphs (d) and (j) of the definition of "Permitted Loan".

(g) The "**equivalent**" in any currency (the "**first currency**") of any amount in another currency (the "**second currency**") shall be construed as a reference to the amount in the first currency which could be purchased with that amount in the second currency at the Facility Agent's spot rate of exchange (or, if no such spot rate of exchange is available, such prevailing rate of exchange selected by the Facility Agent, acting reasonably) for the purchase of the first currency with the second currency at or about 11:00 a.m. on a particular day (or at or about such time and on such date as the Facility Agent may from time to time reasonably determine to be appropriate in the circumstances), **provided that** for purposes of any calculation under this Agreement requiring the conversion of RMB amounts into U.S.$, such conversion will be made at the officially published PBOC exchange rate (if any) for purchasing U.S.$.

(h) Any reference to the date of this Agreement shall be a reference to 14 July 2016 notwithstanding any subsequent amendment and/or restatement of this Agreement (including pursuant to the Amendment and Restatement Agreement).

1.3 **Currency symbols and definitions**

(a) Any reference in this Agreement to "**US$**", "**U.S.$**", "**USD**" and "**U.S. dollars**" is to the lawful currency of the United States of America.

(b) Any reference in this Agreement to "**RMB**" is to the lawful currency of the PRC.

1.4 **Currency fluctuations**

(a) For the purpose of determining compliance with any basket amount, thresholds and other exceptions to the representations and warranties in Clause 20 (*Representations*), undertakings in Clause 23 (*General undertakings*) and Events of Default in Clause 24 (*Events of Default*) that are determined by reference to amounts in U.S. dollars, the equivalent amount in U.S. dollars shall be calculated as at the date on which the applicable Transaction Obligor, Total Transaction Obligor or Group Member incurs, commits to or makes the applicable Financial Indebtedness, acquisition, disposal, investment or other action.

(b) No breach of any representation and warranty in Clause 20 (*Representations*), general undertaking under Clause 23 (*General undertakings*) or Events of Default under Clause 24 (*Events of Default*) (other than an Event of Default under Clause 24.2 (*Financial covenants*)) shall arise merely as a result of a subsequent change in the U.S. dollar equivalent of any relevant amount due to fluctuation in exchange rates.

(c) This Clause 1.4 shall not apply to Clause 22 (*Financial covenants*) and Clause 23.27 (*DSRA and Distribution Account*).

1.5 **Third party rights**

(a) Unless expressly provided to the contrary in a Finance Document a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or enjoy the benefit of any term of this Agreement.

(b) Notwithstanding any term of any Finance Document, the consent of any person who is not a Party is not required to rescind or vary this Agreement at any time.

1.6 **Security Trust Agreement**

This Agreement is subject to, and has the benefit of, the Security Trust Agreement. In the event of any inconsistency between this Agreement and the Security Trust Agreement, the Security Trust Agreement shall prevail.

1.7 **Qualifying Listing Trigger**

(a) Notwithstanding anything to the contrary in this Agreement or any other Finance Document, at all times after the Listing Release Condition (as defined in paragraph (c) below) has been satisfied, the financial covenants in paragraph (b) and (c) of Clause 22.2 (*Financial condition*) shall, for so long as no Change of Control has occurred, be suspended and shall not apply (such suspension being "**Financial Covenant Suspension**").

(b) If, at any time after the Listing Release Condition has been satisfied, a Change of Control occurs:

(i) the financial covenants in paragraph (b) and (c) of Clause 22.2 (*Financial condition*) shall apply (and any Financial Covenant Suspension shall terminate); and

(ii) (for the avoidance of doubt) any breach of this Agreement or any other Finance Document that would otherwise have arisen as a result of any of such financial covenants referred to in paragraph (a) above not being satisfied in respect of any Relevant Period ending during the period of such Financial Covenant Suspension shall not constitute (or result in) a breach of any term of this Agreement or any other Finance Document, a Default or an Event of Default.

(c) For the purposes of this Clause 1.7, the "**Listing Release Condition**" means satisfaction of each of the following conditions: (i) the Listco Flotation (which does not constitute a Change of Control) has occurred and (ii) the Leverage for the Relevant Period ending on the most recent Quarter Date for which a Compliance Certificate has been or is required to be delivered to the Facility Agent (but calculated as if the amount of Flotation Proceeds in respect of the Listco Flotation that is required to be applied towards prepayment of the Facility B Loan pursuant to paragraph (b) of Clause 8.1 (*Exit and Flotation*) had been so applied towards prepayment of the Facility B Loan as at the last day of such Relevant Period but otherwise without taking into account any increase in any Cash or Cash Equivalent Investments resulting from the Listco Flotation or any Flotation Proceeds in respect of the Listco Flotation) is less than 2.00:1.

(d) For the avoidance of doubt, irrespective of whether the Sponsor Change of Control Release Condition has been satisfied, the definition of "Change of Control" shall include paragraph (b) of such definition for the purposes of this Clause 1.7.

1.8 **Change of Control Disapplication**

(a) Notwithstanding anything to the contrary in this Agreement or in any other Finance Document, if the Sponsor Change of Control Release Condition (as defined in paragraph (b) below) is satisfied, the occurrence of any Change of Control falling within paragraph (b) of the definition of "Change of Control" shall cease to give rise to any requirement for prepayment pursuant to paragraph (c) of Clause 8.1 (*Exit and Flotation*).

(b) For the purposes of this Clause 1.8, the "**Sponsor Change of Control Release Condition**" means satisfaction of the following conditions:

(i) the Listco Flotation (that does not constitute a Change of Control) has occurred;

(ii) a period of at least 24 Months have expired since the completion of the Listco Flotation;

(iii) the Sponsor beneficially owns and controls, directly or indirectly, at least 25 per cent. of the issued voting share capital in the Borrower;

(iv) no person or persons acting in concert beneficially own(s) or has or have acquired, directly or indirectly, (A) an aggregate percentage of issued shares (of any class) in the Borrower that is equal to or greater than the aggregate percentage of issued shares (of such class) in the Borrower beneficially owned, directly or indirectly, by the Sponsor or (B) an aggregate percentage of voting interests in the Borrower that is equal to or greater than the aggregate percentage of voting interests in the Borrower beneficially owned, directly or indirectly, by the Sponsor; and

(v) Leverage for the Relevant Period ending on the most recent Quarter Date for which a Compliance Certificate has been or is required to be delivered is less than 2.00:1.

2. **THE FACILITIES**

2.1 **The Facilities**

(a) Subject to the terms of this Agreement, the Lenders make available to the Borrower:

(i) a USD term loan facility in an aggregate amount equal to the Total Facility A Commitments; and

(ii) a USD term loan facility in an aggregate amount equal to the Total Facility B Commitments.

(b) As at the Amendment and Restatement Effective Date:

(i) the Original Loan shall be deemed to constitute a Facility A Loan (made on the Original Utilisation Date) (the "**Continued Facility A Loan**");

(ii) each Lender's participation in such Continued Facility A Loan shall be equal to such Lender's participation in the Original Loan (immediately prior to the effectiveness of the amendment and restatement of the Original Agreement pursuant to the Amendment and Restatement Agreement on the Amendment and Restatement Effective Date);

(iii) the then current Interest Period in respect of such Continued Facility A Loan (the "**Initial Interest Period**") shall be deemed to be the period from and including the first day of the then current Interest Period (as defined in and determined in accordance with the Original Agreement) for the Original Loan (immediately prior to the effectiveness of the amendment and restatement of the Original Agreement pursuant to the Amendment and Restatement Agreement on the Amendment and Restatement Effective Date) (the "**Original Interest Period**") to and including the last day of such Original Interest Period;

(iv) the accrued interest on the Original Loan (immediately prior to the effectiveness of the amendment and restatement of the Original Agreement pursuant to the Amendment and Restatement Agreement on the Amendment and Restatement Effective Date) shall constitute accrued interest on such Continued Facility A Loan and shall be paid on the last day of the Initial Interest Period; and

(v) for the portion of the Initial Interest Period that falls on or after the Amendment and Restatement Effective Date, (A) LIBOR for the Continued Facility A Loan and for the Initial Interest Period shall be equal to LIBOR for the Original Loan and the Original Interest Period and (B) Margin in respect of the Continued Facility A Loan shall be equal to 3.50% per annum (subject to the definition of "Margin").

2.2 **Increase**

(a) The Borrower may by giving prior notice to the Facility Agent by no later than the date falling five Business Days after the effective date of a cancellation of:

(i) the Available Commitment of a Defaulting Lender in respect of any Facility in accordance with Clause 7.5 (*Right of cancellation in relation to a Defaulting Lender*); or

(ii) the Commitment of a Lender in respect of any Facility in accordance with:

(A) Clause 7.1 (*Illegality*); or

(B) paragraph (a) of Clause 7.4 (*Right of cancellation and repayment in relation to a single Lender*),

(such Available Commitment or Commitment so cancelled being the "**Cancelled Commitment**") request that the aggregate Commitments under such Facility be increased (and the aggregate Commitments under such Facility shall be so increased) in an aggregate amount in USD of up to the amount of such Cancelled Commitment as follows (**provided that** the Availability Period shall not have expired by the time when such increase is to take effect):

(iii) such increased Commitments under such Facility will be assumed by one or more Lenders or other banks, financial institutions, trusts, funds or other entities (each an "**Increase Lender**") selected by the Borrower (each of which shall not be a Sponsor Affiliate, a Total Transaction Obligor or a Group Member and which satisfies the criteria applicable to a New Lender set out in Clause 25.1 (*Assignments and transfers by the Lenders*)) and each of which confirms in writing (whether in the relevant Increase Confirmation or otherwise) its willingness to assume and does assume all the obligations of a Lender corresponding to that part of such increased Commitments which it is to assume (the "**Assumed Commitment**" of such Increase Lender), as if it had been an Original Lender (for the avoidance of doubt, the aggregate Assumed Commitments of all of the Increase Lenders shall not exceed such Cancelled Commitment);

(iv) each of the Obligors and any Increase Lender shall assume obligations towards one another and/or acquire rights against one another as that Obligor and that Increase Lender would have assumed and/or acquired had that Increase Lender been an Original Lender (with such Assumed Commitment so assumed by it, in addition to any other Commitment in respect of any Facility which that Increase Lender may otherwise have in accordance with this Agreement);

(v) each Increase Lender which is not already party hereto as a Lender shall become a Party as a "Lender" (with such Assumed Commitment so assumed by it, in addition to any other Commitment in respect of any Facility which that Increase Lender may otherwise have in accordance with this Agreement), and any Increase Lender and each of the other Finance Parties and the Hedge Counterparties shall assume obligations towards one another and acquire rights against one another as that Increase Lender and those Finance Parties and Hedge Counterparties would have assumed and/or acquired had that Increase Lender been an Original Lender;

(vi) the Commitments of the other Lenders (in respect of any or all of the Facilities) shall continue in full force and effect; and

(vii) any such increase in the Commitments under such first-mentioned Facility shall take effect on the later of (A) the date specified by the Borrower in the notice referred to above and (B) the date on which the conditions set out in paragraph (b) below are satisfied in respect of such increase.

In the case of cancellation of the Available Commitment (in respect of any Facility) of a Defaulting Lender referred to in paragraph (i), the Commitment of such Defaulting Lender under such Facility shall be permanently cancelled and reduced by the aggregate Assumed Commitment (in respect of such Facility) of each such Increase Lender upon the effectiveness of such increase in the Commitments under such Facility. For the avoidance of doubt, no Lender has any obligation to agree to be an Increase Lender.

(b) An increase in the Commitments under any Facility pursuant to paragraph (a) will only be effective on:

(i) the execution by the Facility Agent of an Increase Confirmation from each Increase Lender in respect of such increase (setting out the Assumed Commitment in respect of such Facility which such Increase Lender is assuming in accordance with paragraph (a)) **provided that** the requirements set out in paragraph (ii)(B) below have been satisfied in the case of an Increase Lender which is not a Lender immediately prior to such increase; and

(ii) in relation to an Increase Lender which is not a Lender immediately prior to such increase:

(A) that Increase Lender entering into the documentation required for it to accede as a party to the Security Trust Agreement as a "Senior Lender" (as defined in the Security Trust Agreement); and

(B) the Facility Agent being satisfied that it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assumption of such Assumed Commitment by that Increase Lender. The Facility Agent shall promptly notify the Borrower and that Increase Lender upon being so satisfied.

(c) Each Increase Lender, by executing an Increase Confirmation, confirms (for the avoidance of doubt) that the Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with any Finance Document on or prior to the date on which the increase in Commitments (to which such Increase Confirmation relates) becomes effective.

(d) The Borrower shall promptly on written demand pay the Facility Agent and the Security Agent the amount of all reasonable and documented costs and expenses (including legal fees, subject to any agreed cap) incurred by either of them and, in the case of the Security Agent, by any Receiver or Delegate in connection with any increase in Commitments under this Clause 2.2.

(e) An Increase Lender shall (or the Borrower shall on its behalf), on the date upon which such increase takes effect, pay to the Facility Agent (for its own account) a fee in an amount equal to the fee which would be payable under Clause 25.3 (*Assignment or transfer fee*) if such increase was a transfer to such Increase Lender pursuant to Clause 25.5 (*Procedure for transfer*) and if such Increase Lender was a New Lender.

(f) The Borrower may pay to an Increase Lender a fee in the amount and at the times agreed between the Borrower and such Increase Lender in a Fee Letter.

(g) Clause 25.4 (*Limitation of responsibility of Existing Lenders*) shall apply *mutatis mutandis* in this Clause 2.2 in relation to an Increase Lender as if references in that Clause to:

(i) an "**Existing Lender**" were references to each of the Lenders immediately prior to any increase in Commitment(s) in respect of any Facility or the assumption of any Assumed Commitment by that Increase Lender;

(ii) the "**New Lender**" were references to that "**Increase Lender**"; and

(iii) a "**re-transfer**" and "**re-assignment**" were references to respectively a "**transfer**" and "**assignment**".

2.3 **Finance Parties' rights and obligations**

(a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.

(b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from a Total Transaction Obligor is a separate and independent debt in respect of which a Finance Party shall be entitled to enforce its rights in accordance with paragraph (c). Any debt owing to that Finance Party under the Finance Documents and, for the avoidance of doubt, any part of any Loan or any other amount owed by a Total Transaction Obligor which relates to a Finance Party's participation in the Facility or its role under a Finance Document (including any such amount payable to the Facility Agent on its behalf), is a debt owing to that Finance Party by that Total Transaction Obligor.

(c) Subject to paragraph (d) below, a Finance Party may, except as specifically provided in the Finance Documents (excluding the Hedging Agreements), separately enforce its rights under or in connection with the Finance Documents and, except as specifically provided in the Finance Documents (excluding the Hedging Agreements), shall be entitled to separately enforce its rights under the Finance Documents against each of the Total Transaction Obligors to recover any amount that is due and payable to it under any Finance Document (or to recover its share of any amount that is due and payable under any Finance Document) without the consent of any other Party; and nothing shall prejudice the rights of a Finance Party from separately enforcing its rights in relation to any debt arising under any Finance Document owing to it (or its share of any debt arising under a Finance Document), which debt is due and payable.

(d) In connection with any Transaction Security being granted, or being expressed to be granted, over assets in Taiwan from time to time (the "**Taiwanese Transaction Security**"), the Parties hereby agree that each of the Finance Parties shall be deemed a creditor jointly and severally with each other with respect to their rights and claims hereunder and the other Finance Documents against the Total Transaction Obligors pursuant to Article 283 of the R.O.C. Civil Code and shall be entitled to pursue all such claims against the Total Transaction Obligors and that the security interests with respect to the Taiwanese Transaction Security shall be created in favour of the Security Agent in its capacity as a joint and several creditor and for the joint and several benefit of the Finance Parties; provided, however, that, each Finance Party agrees not to claim or enforce such rights (insofar as they relate to the Taiwanese Transaction Security) unilaterally but shall appoint the Security Agent to exercise and enforce the Finance Parties' rights arising out of the Finance Documents (insofar as they relate to the Taiwanese Transaction Security) and share among themselves any risks and benefits in relation thereto as provided under this Agreement and the Security Trust Agreement and none of the Finance Parties shall take any action (insofar as it relates to the Taiwanese Transaction Security) requiring authorisation of the Majority Lenders, the Majority Senior Creditors (as defined in the Security Trust Agreement) or any group of Senior Creditors (as defined in the Security Trust Agreement) except in accordance with such authorisation.

2.4 **Obligors' Agent**

(a) Each Obligor (other than the Borrower) by its execution of this Agreement or an Accession Deed irrevocably appoints the Borrower (acting through one or more authorised signatories) to act on its behalf as its agent in relation to the Finance Documents and irrevocably authorises:

(i) the Borrower on its behalf to supply all information concerning itself contemplated by this Agreement to the Finance Parties and the Hedge Counterparties and to give all notices, consents, and instructions, to agree, accept and execute on its behalf any Accession Deed or any other Finance Document, to make such agreements and to effect all amendments, supplements and variations capable of being given, made or effected by any Obligor notwithstanding that they may affect that Obligor's obligations or otherwise affect that Obligor, and to give confirmations as to the continuation of guarantee obligations, in each case, without further reference to or the consent of that Obligor; and

(ii) each Finance Party to give any notice, demand or other communication to that Obligor pursuant to the Finance Documents to the Borrower,

and in each case that Obligor shall be bound as though that Obligor itself had supplied such information, given such notices, consents and instructions (including, without limitation, any Utilisation Request and any Selection Notice) or agreed, accepted and executed such Accession Deed or such other Finance Document, made such agreements or effected such amendments, supplements and variations, given such confirmations and received such notice, demand or other communication.

(b) Every act, omission, agreement, undertaking, settlement, waiver, amendment, supplement, variation, notice or other communication given or made by the Obligors' Agent or given to the Obligors' Agent under any Finance Document on behalf of another Obligor or in connection with any Finance Document (whether or not known to any other Obligor and whether occurring before or after such other Obligor became an Obligor under any Finance Document) shall be binding for all purposes on that Obligor as if that Obligor had expressly made, given or concurred with it. In the event of any conflict between any notices or other communications of the Obligors' Agent and any other Obligor, those of the Obligors' Agent shall prevail.

2.5 **Incremental Facilities**

(a) The Borrower may at any time after the Utilisation Date (in respect of a Term Facility) notify the Facility Agent by delivery of a written notice (an "**Incremental Facility Notice**") that it wishes to establish a new term loan facility in US dollars (being an "**Incremental Facility**"), whereupon the Facility Agent shall promptly deliver a copy of such Incremental Facility Notice to each of the Lenders.

(b) Any Incremental Facility (the subject of any Incremental Facility Notice) shall be established upon the countersignature by the Facility Agent of such Incremental Facility Notice delivered by the Borrower to the Facility Agent pursuant to paragraph (a), **provided that**:

(i) the requirements under this Clause 2.5 with respect to such Incremental Facility are satisfied and the Borrower shall have certified in such Incremental Facility Notice that all of such requirements are satisfied with respect to such Incremental Facility including reasonable particulars thereof (including computations demonstrating satisfaction of the requirements under paragraph (d)(i));

(ii) the Borrower shall have, together with the delivery of such Incremental Facility Notice, delivered to the Facility Agent Incremental Facility Increase Confirmations (with respect to such Incremental Facility) executed by one or more persons (each of whom satisfies the criteria applicable to New Lenders set out in Clause 25.1 (*Assignments and transfers by the Lenders*) and is not a Total Transaction Obligor, a Group Member, any Affiliate of any of the foregoing or any Sponsor Affiliate) (each such person being an "**Incremental Facility Original Lender**" in respect of such Incremental Facility) selected by the Borrower, pursuant to which Incremental Facility Increase Confirmations each such Incremental Facility Original Lender agrees to assume an Incremental Facility Commitment in respect of such Incremental Facility as set out in such Incremental Facility Increase Confirmation to which it is a party;

(iii) the aggregate Incremental Facility Commitments (in respect of such Incremental Facility) specified in any and all such Incremental Facility Increase Confirmations must not exceed the aggregate Incremental Facility Commitments (in respect of such Incremental Facility) specified in such Incremental Facility Notice;

(iv) such Incremental Facility Notice (in respect of such Incremental Facility) specifies:

(A) the aggregate Incremental Facility Commitments in respect of such Incremental Facility;

(B) the Availability Period with respect to such Incremental Facility;

(C) the pricing terms with respect to such Incremental Facility;

(D) the repayment terms with respect to such Incremental Facility; and

(E) any other administrative requirements with respect to such Incremental Facility (including with respect to any Utilisation thereunder);

(v) no Incremental Facility Notice may be delivered and no Incremental Facility may be established at any time prior to the later of (A) the time when the Utilisation Date in respect of each Term Facility has occurred after the Amendment and Restatement Effective Date and (B) the time when all of the requirements under Clause 22.2 (*Financial condition*) have been tested at least once after the Amendment and Restatement Effective Date; and

(vi) no Event of Default is continuing or would arise after giving effect to such Incremental Facility.

(c) No consent of any Lender is required to establish an Incremental Facility (other than, for the avoidance of doubt, any Lender which is to assume or provide any Incremental Facility Commitment in respect of such Incremental Facility), **provided that** the requirements of this Clause 2.5 are complied with in respect of such Incremental Facility.

(d) Each Incremental Facility shall comply with the following requirements (unless otherwise agreed by all of the Lenders):

(i) the aggregate principal amount of such Incremental Facility, when aggregated with the aggregate principal amount of any and all other Incremental Facilities established or incurred since the Amendment and Restatement Effective Date (or to be simultaneously established or incurred) by the Borrower, shall be the maximum amount of additional Total Net Debt that can be incurred by the Group (as at the establishment of such first-mentioned Incremental Facility) without the Leverage for the Most Recent Relevant Period (as at the establishment of such first-mentioned Incremental Facility, calculated on a pro forma basis giving effect to (A) the incurrence by the Borrower of such first-mentioned Incremental Facility and any and all other Incremental Facilities established or incurred since the last day of such Most Recent Relevant Period (or to be simultaneously established or incurred together with such first-mentioned Incremental Facility) (collectively "**Other Incremental Facilities**") and (B) the application of the proceeds of such first-mentioned Incremental Facility and Other Incremental Facilities, but without giving effect to any increase in Cash and Cash Equivalent Investments of Group Members resulting from the proceeds of any such Incremental Facility or Other Incremental Facilities), exceeding 3.50 to 1. For the purposes of such pro forma calculation in respect of such first-mentioned Incremental Facility:

(A) it shall be assumed that such first-mentioned Incremental Facility and each such Other Incremental Facility are fully utilised and remain outstanding as at the end of such Most Recent Relevant Period; and

(B) such calculations shall be made without giving effect to any reduction in the amount of such first-mentioned Incremental Facility or any such Other Incremental Facility through repayment, prepayment or otherwise; and

(ii) such Incremental Facility:

(A) shall be granted exclusively for the purposes specified in paragraph (c) of Clause 3.1 (*Purpose*);

(B) shall rank equal in priority in right of payment with the Term Facilities and shall rank equal or junior in right of security with the Term Facilities or be unsecured, **provided that** in the event of any Incremental Facility that is to rank junior in right of security to the Term Facilities or that is unsecured, such Incremental Facility may not be established (and no Incremental Facility Notice may be delivered in respect thereof) unless amendments to this Agreement, the Security Trust Agreement and other Finance Documents (each in form and substance satisfactory to the Facility Agent, acting on the instructions of the Lenders) shall have been entered into to reflect such Incremental Facility and related intercreditor arrangements with the Term Facilities;

(C) shall not mature earlier than the Termination Date with respect to Facility A and shall have a Weighted Average Life to Maturity not shorter than the remaining Weighted Average Life to Maturity of Facility A as at the date of establishment of such Incremental Facility;

(D) is denominated in US dollars;

(E) is incurred by the Borrower only; and

(F) shall not have the benefit of any guarantee by any person other than a Relevant Guarantor (the extent of whose guarantee in respect of the Term Facilities is not less than the extent of whose guarantee in respect of such Incremental Facility) and shall not have the benefit of any security (other than Transaction Security), except where the benefit of such guarantee and security is extended rateably to all of the Secured Parties (including the Lenders in respect of the Term Facilities) on a *pari passu* basis;

(iii) there shall not be any other mandatory prepayment, redemption, purchase, defeasance or discharge, or sinking fund (or similar obligation) in respect of such Incremental Facility, other than (1) scheduled repayments in accordance with paragraph (d)(ii)(C) and (2) mandatory prepayments on the same terms and conditions as those applicable to Facility A under this Agreement;

(iv) subject to the foregoing, the amortisation schedule applicable to such Incremental Facility and the All-In Yield applicable to such Incremental Facility shall be determined by the Borrower and the applicable Incremental Facility Original Lenders with respect to such Incremental Facility and shall be set forth in the Incremental Facility Notice relating to such Incremental Facility; **provided that** with respect to any Incremental Facility established or incurred within twelve (12) months after the Amendment and Restatement Effective Date, the All-In Yield applicable to such Incremental Facility shall not be greater than the applicable All-In Yield with respect to Facility A pursuant to the terms of this Agreement (as amended from time to time) plus 0.50 per cent. per annum, unless the interest rate with respect to Facility A is increased so as to cause the then All-In Yield applicable to Facility A under this Agreement to equal the All-In Yield applicable to such Incremental Facility minus 0.50 per cent. per annum;

(v) the administrative requirements with respect to such Incremental Facility (including with respect to any Utilisation thereunder) shall be agreed between the Facility Agent, the Borrower and the Incremental Facility Original Lenders in respect of such Incremental Facility (each acting reasonably) and set out in the Incremental Facility Notice in respect of such Incremental Facility;

(vi) except as otherwise expressly provided under paragraphs (d)(i) to (v), the terms and conditions of such Incremental Facility shall be the substantially same as those applicable to the Term Facilities (unless otherwise agreed to by all of the Lenders); and

(vii) the Borrower may not deliver an Incremental Facility Notice in respect of any Incremental Facility, if as a result of the proposed establishment of such Incremental Facility, more than two (2) Incremental Facilities would have been established since the Amendment and Restatement Effective Date.

(e) Provided that the requirements of this Clause 2.5 are complied with respect to an Incremental Facility, an Incremental Facility Original Lender with respect to such Incremental Facility shall become party hereto as a "Lender" with an Incremental Facility Commitment in respect of such Incremental Facility specified in the Incremental Facility Increase Confirmation to which it is a party, upon (but only upon):

(i) the execution by the Facility Agent of such Incremental Facility Increase Confirmation; and

(ii) in relation to an Incremental Facility Original Lender which is not already a Lender immediately prior to the delivery of such Incremental Facility Increase Confirmation:

(A) that Incremental Facility Original Lender entering into the documentation required for it to accede to the Security Trust Agreement as a "Senior Lender" (as defined in the Security Trust Agreement); and

(B) the performance by the Facility Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to the assumption of such Incremental Facility Commitment by that Incremental Facility Original Lender (which is not already a Lender immediately prior to the delivery of such Incremental Facility Increase Confirmation), the completion of which the Facility Agent shall promptly notify the Borrower and that Incremental Facility Original Lender.

(f) The Facility Agent shall, as soon as reasonably practicable after receipt by it of a duly completed Incremental Facility Notice delivered to the Facility Agent by the Borrower with respect to any Incremental Facility or a duly completed Incremental Facility Increase Confirmation delivered to the Facility Agent by any Incremental Facility Original Lender with respect to any Incremental Facility, (in each case) appearing on its face to comply with the terms of this Agreement and delivered in accordance with this Agreement, execute that Incremental Facility Notice or (as the case may be) Incremental Facility Increase Confirmation, **provided that**:

(i) (in the case of an Incremental Facility Notice) no Lender shall have notified the Facility Agent within ten Business Days of such Incremental Facility Notice that such Incremental Facility (the subject of such Incremental Facility Notice) does not comply with the provisions of this Clause 2.5, specifying the reasons therefor (in which case the Facility Agent shall promptly notify the Borrower); and

(ii) in the case of an Incremental Facility Increase Confirmation with respect to any Incremental Facility:

(A) the Incremental Facility Notice with respect to such Incremental Facility is simultaneously duly delivered to the Facility Agent and is countersigned by the Facility Agent in accordance with this Clause 2.5; and

(B) the Facility Agent shall have satisfactorily completed all "know your customer" and other similar checks referred to in paragraph (e)(ii)(B) with respect to such Incremental Facility Original Lender (if it is not already a Lender immediately prior to the delivery of such Incremental Facility Increase Confirmation).

(g) Each Incremental Facility Original Lender in respect of an Incremental Facility, by executing any Incremental Facility Increase Confirmation, confirms (for the avoidance of doubt) that the Facility Agent has authority to execute on its behalf any amendment or waiver that has been approved by or on behalf of the requisite Lender or Lenders in accordance with any Finance Document on or prior to the date on which such Incremental Facility Original Lender assumes any Incremental Facility Commitment (in respect of such Incremental Facility) as specified in such Incremental Facility Increase Confirmation.

(h) Clause 25.4 (*Limitation of responsibility of Existing Lenders*) shall apply *mutatis mutandis* in this Clause 2.5 in relation to each Incremental Facility Original Lender (with respect to any Incremental Facility) as if references in that Clause to:

(i) an "**Existing Lender**" were references to each of the Lenders immediately prior to the establishment of such Incremental Facility;

(ii) the "New Lender" were references to that "Incremental Facility Original Lender"; and

(iii) a "**re-transfer**" and "**re-assignment**" were references to respectively a "**transfer**" and "**assignment**".

(i) For the avoidance of doubt, each Incremental Facility established pursuant to this Clause 2.5 shall constitute a separate Facility.

(j) The Facility Agent may (without the consent of any other Finance Party) for and on behalf of the Finance Parties, together with the Borrower, effect such amendments to this Agreement and the other Finance Documents as may be necessary or appropriate, in the reasonable opinion of the Facility Agent and the Borrower, to give effect to the provisions of this Clause 2.5 (each such amendment being an "**Incremental Amendment**").

(k) In connection with the establishment of any Incremental Facility and/or any amendment referred to in paragraph (j), each Obligor shall (and shall procure that each Total Transaction Obligor shall), if requested by the Facility Agent or the Security Agent (acting reasonably), execute and deliver customary reaffirmation agreements and/or such amendments to the Transaction Security Documents as may be reasonably requested by the Facility Agent or the Security Agent in order to ensure that the Transaction Security continues in full force and effect and extends to secure such Incremental Facility on the basis contemplated in this Clause 2.5.

3. **PURPOSE**

3.1 **Purpose**

(a) The Borrower shall apply all amounts borrowed by it under Facility A towards:

(i) the making of a loan or a dividend in cash by the Borrower to the Parent or the repayment in cash by the Borrower of any existing loan owing by the Borrower to the Parent;

(ii) refinancing Borrowings under this Agreement that were subsisting immediately prior to the Effective Time (as defined in the Amendment and Restatement Agreement) on Amendment and Restatement Effective Date (the "**Refinancing**");

(iii) payment of all fees, costs, expenses and registration taxes in relation to the Facilities (including the Amendment and Restatement Agreement); and

(iv) funding the DSRA with the required DSRA Minimum Balance,

provided that the Refinancing shall be deemed to occur at the Effective Time (as defined in the Amendment and Restatement Agreement) on the Amendment and Restatement Effective Date and for the avoidance of doubt, no amounts borrowed under Facility A thereafter shall be applied towards the Refinancing.

(b) The Borrower shall (i) apply all amounts borrowed by it under Facility B towards the making of a dividend payment or capital reduction by the Borrower to the Parent in cash, (ii) ensure that the Parent shall apply the proceeds of such dividend payment or capital reduction by the Borrower towards the making of a dividend payment or capital reduction in favour of Listco, and (iii) ensure that the Listco shall apply the proceeds of such dividend payment or capital reduction by the Parent towards the making of a dividend payment or capital reduction in favour of the Distribution Account Holder; provided that, all amounts borrowed under Facility B shall be directly deposited into the DSRA and then promptly transferred from the DSRA to the Distribution Account and shall not be released from the Distribution Account until the Listco IPO has occurred and the Facility B Loan is repaid in full (out of Flotation Proceeds) together with accrued interest and Break Costs (if any), whereupon all amounts so deposited into the Distribution Account shall be unconditionally and irrevocably released to the Distribution Account Holder, and the Borrower shall ensure that all of such amounts so released to the Distribution Account Holder shall be promptly paid by the Distribution Account Holder to Bain Capital Asia Integral Investors, L.P.

(c) The Borrower shall apply all amounts borrowed by it under an Incremental Facility towards financing:

(i) Permitted Acquisitions (falling within paragraph (e) of the definition of "Permitted Acquisition");

(ii) costs and expenses incurred with respect of any such Permitted Acquisition within 12 months of such Permitted Acquisition;

(iii) refinancing Financial Indebtedness of any Future Target acquired by any Group Member pursuant to any such Permitted Acquisition; and

(iv) Capital Expenditure or working capital requirements of any Future Target acquired by a Group Member pursuant to any such Permitted Acquisition.

3.2 **Monitoring**

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. **CONDITIONS OF UTILISATION**

4.1 **Initial conditions precedent**

(a) The Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) in relation to a Loan if on or before the date on which the Utilisation Request for that Loan is delivered, the Facility Agent has confirmed that the Amendment and Restatement Effective Date has occurred in accordance with the Amendment and Restatement Agreement.

(b) Other than to the extent that the Mandated Lead Arranger notifies the Facility Agent in writing to the contrary before the Facility Agent gives the notification described in paragraph (a) above, the Lenders authorise (but do not require) the Facility Agent to give that notification. The Facility Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

4.2 **Further conditions precedent**

Subject to Clause 4.1 (*Initial conditions precedent*), the Lenders will only be obliged to comply with Clause 5.4 (*Lenders' participation*) in relation to a Loan if:

(a) on the date of the Utilisation Request (in respect of such Loan) and on the proposed Utilisation Date (in respect of such Loan):

(i) no Default is continuing or would result from the proposed Loan; and

(ii) all the representations and warranties to be repeated by any or all of the Total Transaction Obligors under any or all of the Finance Documents upon the date of any Utilisation Request or any Utilisation Date are true in all material respects (whether before or after giving effect to such proposed Loan); and

(b) on or prior to the date occurring one Business Day prior to on the proposed Utilisation Date, the Facility Agent has received evidence satisfactory to it that the aggregate amount standing to the credit of the DSRA is not less than the DSRA Minimum Balance (calculated as if such Loan in the amount set out in the Utilisation Request in respect of such Loan had been made and were outstanding as at such date, and as if the rate of interest applicable to such Loan as at such date were equal to the rate of interest that would apply to such Loan for the first Interest Period for such Loan as set out in such Utilisation Request).

4.3 **Maximum number of Utilisations**

(a) Only one Facility A Loan (excluding the Continued Facility A Loan) may be made at any time on or after the Amendment and Restatement Effective Date. Only one Facility B Loan may be made.

(b) Each Incremental Facility may be utilised in a single or (with the consent of the Facility Agent) more than one Incremental Facility Loan(s) thereunder. The Facility Agent shall be entitled to give such consent under this paragraph (b) without any need to seek instructions or consent from any Lender.

(c) The Borrower may not request that a Loan be divided.

SECTION 3
UTILISATION

5. UTILISATION

5.1 Delivery of the Utilisation Request

The Borrower may utilise a Facility by delivery to the Facility Agent of a duly completed Utilisation Request not later than the Specified Time (or such later time as all of the Lenders may agree).

5.2 Completion of the Utilisation Request

(a) The Utilisation Request for a Loan under a Facility is irrevocable and will not be regarded as having been duly completed unless:

(i) it identifies such Facility under which such Loan is to be made;

(ii) the proposed Utilisation Date is a Business Day within the Availability Period applicable to that Facility;

(iii) the currency and amount of such Loan comply with Clause 5.3 (*Currency and amount*); and

(iv) the proposed Interest Period complies with Clause 11 (*Interest Periods*).

(b) Only one Loan may be requested in a Utilisation Request.

5.3 Currency and amount

(a) The currency specified in a Utilisation Request must be USD.

(b) The amount of any proposed Loan under any Facility must be an amount that does not exceed the Available Facility for that Facility.

5.4 Lenders' participation

(a) If the conditions set out in this Agreement have been met, each Lender shall make its participation in each Loan available by the Utilisation Date (for such Loan) through its Facility Office.

(b) The amount of each Lender's participation in each Loan under a Facility will be equal to a proportion of such Loan, which proportion is equal to the proportion borne by such Lender's Available Commitment (in respect of that Facility) to the Available Facility (in respect of that Facility) immediately prior to making that Loan.

5.5 Cancellation of Commitment

In respect of each Facility, upon the expiry of the Availability Period in relation to such Facility, the Commitment of each Lender under such Facility which, at that time, is unutilised (that is, in an amount equal to that Lender's Available Commitment under such Facility at that time) shall be immediately cancelled, and then that Lender's Available Commitment under such Facility shall be immediately reduced to zero.

SECTION 4
REPAYMENT, PREPAYMENT AND CANCELLATION

6. REPAYMENT

6.1 Repayment of the Loan

(a) The Borrower shall repay each Facility A Loan in instalments by repaying on each Repayment Date in respect of Facility A an amount which reduces the aggregate outstanding Facility A Loan(s) by an amount equal to a percentage of the aggregate outstanding Facility A Loan(s) (as at the close of business in New York City) on the earlier of (i) the first Utilisation Date in respect of any Facility A Loan falling after the Amendment and Restatement Effective Date and (ii) the last day of the Availability Period for Facility A, which percentage is set out opposite that Repayment Date below:

Number of Months from the Amendment and Restatement Effective Date	Percentage
12	7.5%
24	12.5%
36	17.5%
48	22.5%
60	40%

(b) On the Termination Date in respect of Facility A, the Borrower shall repay any and all outstanding amounts under each Facility A Loan in full.

(c) The Borrower shall repay the Facility B Loan in full on the Termination Date in respect of Facility B.

(d) Each Incremental Facility Loan in respect of any Incremental Facility shall be repaid in accordance with the scheduled repayments terms set out in the Incremental Facility Notice (relating to such Incremental Facility) in accordance with Clause 2.5 (*Incremental Facilities*).

(e) The Borrower may not reborrow any part of any Facility which is repaid.

6.2 Effect of cancellation and prepayment on scheduled repayments and reductions

(a) If any Loan under a Facility (other than Facility B) is repaid or prepaid in accordance with Clause 7.4 (*Right of cancellation and repayment in relation to a single Lender*) or Clause 7.1 (*Illegality*) then, other than to the extent that the Commitments in respect of such Facility are subsequently increased pursuant to Clause 2.2 (*Increase*), the amount of the Repayment Instalment (in respect of such Facility) for each Repayment Date (in respect of such Facility) falling after that repayment or prepayment will reduce *pro rata* by the amount of such Loan so repaid or prepaid.

(b) If any Loan under any Facility (other than Facility B) is prepaid in accordance with Clause 7.3 (*Voluntary prepayment*), such prepayment shall be applied to reduce the Repayment Instalments (in respect of such Facility) for Repayment Dates (in respect of such Facility) falling after the date of that prepayment in such order as the Borrower may specify at the time of such prepayment, **provided that** the aggregate amount of such reduction for all such Repayment Instalments shall not exceed the amount of that prepayment.

7. ILLEGALITY, VOLUNTARY PREPAYMENT AND CANCELLATION

7.1 Illegality

If it becomes unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund, issue or maintain its participation in any Loan (or it becomes unlawful for any Affiliate of a Lender if that Lender were to do so):

(a) that Lender shall promptly notify the Facility Agent upon becoming aware of that event and the Facility Agent shall, upon receipt of notice from that Lender, promptly notify the Borrower of the same;

(b) upon the Facility Agent notifying the Borrower, the Commitment of that Lender in respect of each Facility shall be reduced by an amount equal to the Available Commitment of that Lender in respect of that Facility (immediately prior to such reduction), and then the Available Commitment of that Lender in respect of that Facility shall immediately be reduced to zero; and

(c) to the extent that such Lender's participation in any Loan has not been transferred to another person pursuant to Clause 37.6 (*Replacement of Lender*), the Borrower shall repay in full that Lender's participation in such Loan on the last day of the Interest Period for such Loan occurring after the Facility Agent has notified the Borrower or, if earlier, the date specified by that Lender in such notice delivered by that Lender to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Voluntary cancellation

(a) The Borrower may, if it gives the Facility Agent not less than three Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, cancel the whole or any part (being a minimum amount of U.S.$1,000,000 and an integral multiple of U.S.$500,000) of the Available Facility in relation to a Term Facility.

(b) Any cancellation under this Clause 7.2 in respect of any Term Facility shall reduce the Commitments of the Lenders rateably under such Term Facility.

7.3 Voluntary prepayment

(a) Subject to paragraph (c) below, the Borrower may, if it gives the Facility Agent not less than three Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay the whole or any part of any Loan (but, if in part, being an amount that reduces that Loan by a minimum amount of U.S.$1,000,000 and is an integral multiple of U.S.$500,000).

(b) Subject to paragraph (c) below, the Borrower may voluntarily prepay all or a part of an Incremental Facility Loan under any Incremental Facility in accordance with the terms of the Incremental Facility Notice (in respect of such Incremental Facility), **provided that** (if a Facility A Loan or any part thereof is outstanding) the Borrower shall simultaneously make a voluntary prepayment of the Facility A Loan(s) such that the proportion borne by (i) the aggregate amount of such prepayment of the Facility A Loan(s) to (ii) the aggregate amount of the Facility A Loan(s) immediately prior to such prepayment is not less than the proportion borne by (i) the aggregate amount of such prepayment of Incremental Facility Loan(s) under any Incremental Facility to (ii) the aggregate amount of Incremental Facility Loan(s) under such Incremental Facility immediately prior to such prepayment.

(c) A Loan under any Facility may only be prepaid pursuant to this Clause 7.3 after the last day of the Availability Period in respect of such Facility (or, if earlier, the day on which the Available Facility in respect of such Facility is zero).

7.4 **Right of cancellation and repayment in relation to a single Lender**

(a) If:

(i) any sum payable to any Lender by the Borrower is required to be increased under paragraph (c) of Clause 14.2 (*Tax gross-up*); or

(ii) any Lender claims indemnification from the Borrower under Clause 14.3 (*Tax indemnity*) or Clause 15.1 (*Increased costs*),

the Borrower may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give the Facility Agent notice of cancellation of the Available Commitment of that Lender in respect of each Facility and its intention to procure the repayment of that Lender's participation in the Loans.

(b) On receipt of a notice referred to in paragraph (a) above in relation to a Lender, the Commitment of that Lender in respect of each Facility shall be reduced by an amount equal to the Available Commitment of that Lender in respect of such Facility (immediately prior to such reduction), and then the Available Commitment of that Lender in respect of such Facility shall immediately be reduced to zero.

(c) On the last day of the Interest Period for any Loan which ends after the Borrower has given notice under paragraph (a) above in relation to a Lender (or, if earlier, the date specified by the Borrower in that notice), the Borrower shall repay that Lender's participation in such Loan in full together with all interest and other amounts accrued in relation to such repaid amount under the Finance Documents.

7.5 **Right of cancellation in relation to a Defaulting Lender**

(a) If any Lender becomes a Defaulting Lender, the Borrower may, at any time whilst the Lender continues to be a Defaulting Lender, give the Facility Agent five Business Days' notice of cancellation of the Available Commitment of that Lender in respect of each Facility.

(b) On the notice referred to in paragraph (a) above becoming effective, the Commitment of that Defaulting Lender in respect of each Facility shall be reduced by an amount equal to the Available Commitment of that Defaulting Lender in respect of such Facility (immediately prior to such reduction), and then the Available Commitment of that Defaulting Lender in respect of such Facility shall immediately be reduced to zero.

(c) The Facility Agent shall as soon as practicable after receipt of a notice referred to in paragraph (a) above, notify all the Lenders.

8. **MANDATORY PREPAYMENT AND CANCELLATION**

8.1 **Exit and Flotation**

(a) For the purpose of this Clause 8:

"**Flotation**" means the listing or admission to trading on any stock or securities exchange or market of any shares or securities of any Group Member or any direct or indirect Holding Company of any Group Member (other than the Sponsor), or any sale or issue by way of listing, flotation or public offering (or any equivalent circumstances) of any shares or securities of any Group Member or any direct or indirect Holding Company of any Group Member (other than the Sponsor) in any jurisdiction or country (the person whose shares or securities are the subject of such listing, admission to trading, flotation or public offering being the "**IPO Entity**" in respect of such Flotation).

"**Flotation Proceeds**" means, in respect of a Flotation, the Net Proceeds in relation to any issuance of shares or securities (by the IPO Entity in respect of such Flotation) or sale (by any holder of shares or securities in such IPO Entity (each an "**IPO Selling Shareholder**")) of shares or securities in such IPO Entity in connection with such Flotation.

"**Qualifying Flotation**" means a Flotation (in respect of the Borrower or any Holding Company of the Borrower).

(b) Upon the occurrence of a Qualifying Flotation (not resulting in a Change of Control), the Borrower shall:

(i) promptly notify the Facility Agent upon becoming aware of that occurrence; and

(ii) (whether or not the Borrower has complied with paragraph (i) above) ensure that an amount of the Flotation Proceeds for such Flotation which is equal to the amount necessary to repay the Facility B Loan in full together with all accrued interest and Break Costs (if any), is applied in prepayment of the Facility B Loan within 10 Business Days of the occurrence of such Qualifying Flotation.

(c) Upon the occurrence of:

(i) a Change of Control;

(ii) any Flotation (which is not a Qualifying Flotation); or

(iii) the sale of all or substantially all of the assets of the Group whether in a single transaction or a series of related transactions,

then:

(iv) the Borrower shall promptly notify the Facility Agent upon becoming aware of that event;

(v) (irrespective of whether the Borrower has compiled with paragraph (iv)) no Lender shall be obliged to fund or maintain its participation in any Loan or any part thereof; and

(vi) (irrespective of whether the Borrower has complied with paragraph (iv)) if a Lender so requires by notice in writing to the Facility Agent:

(A) the Available Commitment of that Lender in respect of each Facility shall be immediately reduced to zero (and its Commitment in respect of such Facility shall be reduced by the amount of such reduction in its Available Commitment in respect of such Commitment); and

(B) that Lender's participation in each Loan, together with accrued interest and all other amounts accrued under the Finance Documents thereon, shall become immediately due and payable to that Lender on the date specified in such notice (which date must be at least twenty (20) Business Days after the date of such notice); and

(vii) the Facility Agent shall promptly notify the Borrower upon receipt of any such notice of any Lender.

8.2 **VIE Termination Event**

Upon the occurrence of a VIE Termination Event:

(a) the Borrower shall promptly notify the Facility Agent upon becoming aware of such VIE Termination Event;

(b) (irrespective of whether the Borrower has complied with paragraph (a)) none of the Lenders shall be obliged to find or maintain its participation in any Loan or any part thereof; and

(c) (irrespective of whether the Borrower has complied with paragraph (a)) the Available Facility in respect of each Facility will immediately be cancelled (and the Available Commitment of each Lender in respect of each Facility shall immediately be reduced to zero) and each Loan, together with accrued interest and all other amounts accrued under the Finance Documents, shall become immediately due and payable.

8.3 **[Not used]**

9. **RESTRICTIONS**

9.1 **Notices of cancellation or prepayment**

Any notice of cancellation, prepayment, authorisation or other election given by any Party under Clause 7 (*Illegality, voluntary prepayment and cancellation*) shall (subject to the terms of that Clause) be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment, **provided that** in the case of any notice of voluntary prepayment under Clause 7.3 (*Voluntary prepayment*), (a) the Borrower shall be permitted to specify the conditions precedent to such prepayment in such notice of voluntary prepayment under Clause 7.3 (*Voluntary prepayment*), and (b) if the Borrower shall have specified such conditions and any such condition is not satisfied, the Borrower may by a notice of cancellation to the Facility Agent (on or prior to the date on which such prepayment is to be made) revoke such notice of voluntary prepayment, and the Borrower shall, within five Business Days of demand, pay any and all Break Costs and indemnify each of the Finance Parties against any cost, loss or liability (excluding any loss of Margin) incurred by such Finance Party as a consequence of such notice of voluntary prepayment being revoked or any condition in such notice of voluntary prepayment not being satisfied or such prepayment not occurring on the relevant date specified in such notice of voluntary prepayment.

9.2 **Interest and other amounts**

Any prepayment (including, for the avoidance of doubt, any voluntary prepayment) under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any Break Costs, without premium or penalty.

9.3 **No reborrowing of the Facility**

The Borrower may not reborrow any part of any Facility which is prepaid.

9.4 **Prepayment in accordance with Agreement**

The Borrower shall not repay or prepay all or any part of any Loan or cancel all or any part of the Commitments of all or any of the Lenders in respect of any Facility except at the times and in the manner expressly provided for in this Agreement.

9.5 **No reinstatement of Commitments**

Subject to Clause 2.2 (*Increase*), no amount of the Total Commitments (or the Commitment of any Lender in respect of any Facility) cancelled under this Agreement may be subsequently reinstated.

9.6 **Facility Agent's receipt of notices**

If the Facility Agent receives a notice under Clause 7 (*Illegality, voluntary prepayment and cancellation*), it shall promptly forward a copy of that notice or election to either the Borrower or the affected Lender(s), as appropriate.

9.7 **Prepayment elections**

The Borrower shall (through the Facility Agent) notify the Lenders as soon as practicable of any proposed prepayment of any Loan under Clause 8 (*Mandatory prepayment and cancellation*).

9.8 **Effect of repayment and prepayment on Commitments**

If all or part of any Lender's participation in a Loan under a Facility is repaid or prepaid, an amount of that Lender's Commitment in respect of that Facility (equal to the amount of such participation which is repaid or prepaid) will be deemed to be cancelled on the date of such repayment or prepayment.

9.9 **Application of prepayments**

Any prepayment of a Loan under a Facility (other than a prepayment pursuant to Clause 7.1 (*Illegality*), Clause 7.4 (*Right of cancellation and repayment in relation to a single Lender*) or paragraph (c) of Clause 8.1 (*Exit and Flotation*)) shall be applied *pro rata* to each Lender's participation in such Loan.

SECTION 5
COSTS OF UTILISATION

10. INTEREST

10.1 Calculation of interest

(a) The rate of interest on a Term Loan for each day during each Interest Period relating thereto is the percentage rate per annum which is the aggregate of the applicable:

(i) Margin; and

(ii) LIBOR (for such Term Loan and such Interest Period).

(b) The rate of interest on each Incremental Facility Loan under an Incremental Facility (including any applicable market disruption mechanism relating to such interest) shall be determined in accordance with the terms of the Incremental Facility Notice in respect of such Incremental Facility.

10.2 Payment of interest

(a) The Borrower shall pay accrued interest on a Facility A Loan on the last day of each Interest Period relating thereto.

(b) The Borrower shall pay accrued interest of the Facility B Loan:

(i) on the last day of each Interest Period relating thereto (which last day falls prior to the Termination Date in respect of Facility B); and

(ii) on the Termination Date in respect of Facility B.

(c) Interest on each Incremental Facility Loan under any Incremental Facility shall be paid in accordance with the terms of the Incremental Facility Notice relating to such Incremental Facility.

10.3 Default interest

(a) If an Obligor fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on that overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which, subject to paragraph (b) below, is 1% per annum higher than the rate which would have been payable if that overdue amount had, during the period of such non-payment, constituted a Loan (under the Facility to which such overdue amount relates, or if such overdue amount is not specifically related to any Facility, under Facility A) in the currency of such overdue amount for successive Interest Periods, each of a duration selected by the Facility Agent (acting reasonably). Any interest accruing under this Clause 10.3 shall be immediately payable by that Obligor on demand by the Facility Agent.

(b) If any overdue amount under any Finance Document consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:

(i) the first Interest Period for that overdue amount shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and

(ii) the rate of interest applying to that overdue amount during that first Interest Period shall be 1% per annum higher than the rate which would have applied if that overdue amount had not become due.

(c) Default interest (if unpaid) arising on an overdue amount under any Finance Document will be compounded with that overdue amount at the end of each Interest Period applicable to that overdue amount but will remain immediately due and payable.

(d) The determination of the Facility Agent (in good faith) as to whether any amount payable under any Finance Document is specifically related to any Facility shall, in the absence of manifest error, be conclusive and binding on the Parties.

10.4 **Notification of rates of interest**

The Facility Agent shall promptly notify the Lenders and the Borrower of the determination of a rate of interest under this Agreement.

11. INTEREST PERIODS

11.1 **Interest Period**

(a) The Borrower may select an Interest Period for a Loan in the Utilisation Request for such Loan or (if such Loan has already been borrowed) in a Selection Notice.

(b) Each Selection Notice for a Loan is irrevocable and must be delivered to the Facility Agent by the Borrower not later than the Specified Time.

(c) If the Borrower fails to deliver a Selection Notice to the Facility Agent in accordance with paragraph (b) above in respect of an Interest Period for a Loan, that Interest Period will, subject to this Clause 11, be (in the case of a Term Loan) three Months or (in the case of an Incremental Facility Loan under an Incremental Facility) such duration as determined in accordance with the Incremental Facility Notice in respect of such Incremental Facility.

(d) Subject to this Clause 11, the Borrower may select an Interest Period for a Loan of one, two, three or six Months or any other period agreed between the Borrower and the Facility Agent (acting on its own discretion if less than six Months, or on the instructions of all the Lenders if more than six Months).

(e) An Interest Period for a Term Loan under any Term Facility shall not extend beyond (in the case of Facility A) the Termination Date in respect of Facility A or (in the case of Facility B) the date falling under paragraph (b)(i) of the definition of "Termination Date".

(f) The first Interest Period for each Loan shall start on the Utilisation Date (in respect of such Loan) and each subsequent Interest Period for such Loan shall start on the last day of its preceding Interest Period.

(g) The first Interest Period relating to a Facility A Loan (other than the Continued Facility A Loan) shall start on the Utilisation Date in respect of such first-mentioned Facility A Loan and shall end on the last day of the then current Interest Period of the Continued Facility A Loan.

(h) Interest Periods for each Incremental Facility Loan under any Incremental Facility shall be determined in accordance with the terms of the Incremental Facility Notice relating to such Incremental Facility.

(i) The provisions of this Clause 11.1 shall be subject to the provisions of paragraph (b) of Clause 2.1 (*The Facilities*).

11.2 **Non-Business Days**

If an Interest Period would otherwise end on a day which is not a Business Day, that Interest Period will instead end on the next Business Day in that calendar month (if there is one) or the preceding Business Day (if there is not).

11.3 **Consolidation and division of Facility A Loans**

If any Interest Periods that relate to Facility A Loans end on the same date, such Facility A Loans shall be consolidated into, and treated as a single Facility A Loan (in an amount equal to the aggregate of such first-mentioned Facility A Loans) on the last day of such Interest Periods.

12. **CHANGES TO THE CALCULATION OF INTEREST**

12.1 **Absence of quotations**

Subject to Clause 12.2 (*Market disruption*), if LIBOR for any Loan and any Interest Period relating thereto is to be determined by reference to the Reference Banks but a Reference Bank does not supply a quotation by the Specified Time on the Quotation Day for the currency of such Loan and such Interest Period, the applicable LIBOR shall be determined on the basis of the quotations of the remaining Reference Banks.

12.2 **Market disruption**

(a) If a Market Disruption Event occurs in relation to a Term Loan for any Interest Period relating thereto, then the rate of interest on each Lender's share of that Term Loan for each day during that Interest Period shall be the percentage rate per annum which is the sum of:

(i) the applicable Margin; and

(ii) the rate notified to the Facility Agent by that Lender as soon as practicable and in any event by close of business in Taipei on the date falling two Business Days after the Quotation Day for that Term Loan and that Interest Period (or, if later, on the date falling three Business Days prior to the date on which interest is due to be paid in respect of that Interest Period), to be that which expresses as a percentage rate per annum the cost to that Lender of funding its participation in that Term Loan from whatever source it may reasonably select, **provided that** if such rate is below zero, such rate will be deemed to be zero.

(b) If:

(i) the percentage rate per annum notified by a Lender pursuant to paragraph (a)(ii) above in relation to a Term Loan and any Interest Period relating thereto is less than LIBOR in relation to that Term Loan and such Interest Period; or

(ii) a Lender has not notified the Facility Agent of a percentage rate per annum pursuant to paragraph (a)(ii) above in respect of a Term Loan and any Interest Period relating thereto, the cost to that Lender of funding its participation in that Term Loan for that Interest Period shall be deemed, for the purposes of paragraph (a) above, to be LIBOR for that Term Loan and such Interest Period (and that Lender shall be deemed to have so notified the Facility Agent).

(c) If a Market Disruption Event occurs in relation to a Term Loan and any Interest Period the Facility Agent shall, as soon as is reasonably practicable, notify the Borrower and the Lenders.

(d) In this Agreement:

"**Market Disruption Event**" means, in relation to a Term Loan and any Interest Period relating thereto:

(i) at or about noon (London time) on the Quotation Day for that Term Loan and such Interest Period LIBOR (for that Term Loan and such Interest Period) is to be determined by reference to the Reference Banks and none or only one of the Reference Banks supplies a rate to the Facility Agent to determine LIBOR for that Term Loan and such Interest Period; or

(ii) before close of business in Taipei on the Business Day immediately following the Quotation Day for that Term Loan and such Interest Period, the Facility Agent receives notification(s) from a Lender or Lenders (whose participations in that Term Loan exceed 40 % of the Term Loan) that the cost to it or them of funding its or their participation in that Term Loan from whatever source it may reasonably select would be in excess of LIBOR for that Term Loan and such Interest Period.

12.3 **Alternative basis of interest or funding**

(a) If a Market Disruption Event occurs in relation to a Term Loan and any Interest Period relating thereto and the Facility Agent or the Borrower so requires, the Facility Agent and the Borrower shall enter into negotiations (for a period of not more than 30 days) with a view to agreeing a substitute basis for determining the rate of interest applicable to that Term Loan.

(b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.

(c) For the avoidance of doubt, in the event that no alternative basis is agreed at the end of such 30 day period, the rate of interest applicable to that Term Loan shall be determined in accordance with Clause 12.1 (*Absence of quotations*) and Clause 12.2 (*Market disruption*).

12.4 **Break Costs**

(a) The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or any Unpaid Sum being paid by any Total Transaction Obligor on a day other than the last day of an Interest Period for that Loan or that Unpaid Sum.

(b) Each Lender shall, as soon as reasonably practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

13. **FEES**

13.1 **Arrangement fee**

The Borrower shall pay to the Mandated Lead Arranger (for its own account) the arrangement fee in the amount and at the times agreed in a Fee Letter.

13.2 **Facility agency fee**

The Borrower shall pay to the Facility Agent (for its own account) a facility agency fee in the amount and at the times agreed in a Fee Letter.

13.3 **Security agency fee**

The Borrower shall pay to the Security Agent (for its own account) a security agency fee in the amount and at the times agreed in a Fee Letter.

SECTION 6
ADDITIONAL PAYMENT OBLIGATIONS

14. TAX GROSS-UP AND INDEMNITIES

14.1 Definitions

(a) In this Agreement:

"**Protected Party**" means a Finance Party which is or will be subject to any liability or required to make any payment for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

"**Tax Credit**" means a credit against, relief or remission for, or repayment of, any Tax.

"**Tax Deduction**" means a deduction or withholding for or on account of Tax from a payment under a Finance Document (other than a FATCA Deduction).

"**Tax Payment**" means either the increase in a payment made by a Transaction Obligor to a Finance Party under Clause 14.2 (*Tax gross-up*) or a payment under Clause 14.3 (*Tax indemnity*).

(b) Unless a contrary indication appears, in this Clause 14 a reference to "**determines**" or "**determined**" means a determination made in the absolute discretion of the person making the determination.

14.2 Tax gross-up

(a) Each Obligor shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.

(b) The Borrower shall promptly upon becoming aware that a Transaction Obligor must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender it shall notify the Borrower and that Transaction Obligor.

(c) If a Tax Deduction is required by law to be made by an Obligor, the amount of the payment due from that Obligor (to which such Tax Deduction relates) shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to such payment which would have been due if no Tax Deduction had been required.

(d) If an Obligor is required to make a Tax Deduction, that Obligor shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.

(e) Within 30 days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor making that Tax Deduction shall deliver to the Facility Agent for the Finance Party entitled to the payment (to which such Tax Deduction relates) evidence reasonably satisfactory to that Finance Party that that Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

14.3 **Tax indemnity**

(a) The Borrower shall (within five Business Days of demand by the Facility Agent) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a Finance Document.

(b) Paragraph (a) above shall not apply:

(i) with respect to any Tax assessed on a Finance Party:

(A) under the law of the jurisdiction in which that Finance Party is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Finance Party is treated as resident for tax purposes; or

(B) under the law of the jurisdiction in which that Finance Party's Facility Office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Finance Party or the Facility Office of that Finance Party; or

(ii) to any loss, liability or cost to the extent that:

(A) it is compensated for by an increased payment under Clause 14.2 (*Tax gross-up*); or

(B) it relates to a FATCA Deduction required to be made by a Party.

(c) A Protected Party making, or intending to make a claim under paragraph (a) above shall promptly notify the Facility Agent of the event which will give, or has given, rise to such claim, following which the Facility Agent shall notify the Borrower.

(d) A Protected Party shall, on receiving a payment from an Obligor under this Clause 14.3, notify the Facility Agent.

14.4 **Tax Credit**

If an Obligor makes a Tax Payment in respect of a Finance Party and that Finance Party determines that:

(a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and

(b) that Finance Party has obtained and utilised that Tax Credit,

that Finance Party shall pay an amount to that Obligor which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had that Tax Payment not been required to be made by that Obligor.

14.5 **Stamp taxes**

The Borrower shall pay and, within five Business Days of demand, indemnify each of the Secured Parties and the Mandated Lead Arranger against any cost, loss or liability that Secured Party or the Mandated Lead Arranger incurs in relation to any or all stamp duty, registration and other similar Taxes payable in respect of any Finance Document (except any such Tax payable in connection with the entry into of a Transfer Certificate).

14.6 **Indirect Tax**

(a) All amounts expressed to be payable under a Finance Document by any Party to a Finance Party shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by any Finance Party to any Party under or in connection with a Finance Document, that Party must pay to such Finance Party (in addition to and at the same time as paying the consideration for such supply) an amount equal to the amount of that Indirect Tax.

(b) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any costs or expenses, that Party shall at the same time pay and indemnify such Finance Party against all Indirect Tax incurred by such Finance Party in respect of such costs or expenses, except to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such Indirect Tax.

14.7 **FATCA information**

(a) Subject to paragraph (c) below, each Party shall, within 10 Business Days of a reasonable request by another Party:

(i) confirm to that other Party whether it is a FATCA Exempt Party or not a FATCA Exempt Party;

(ii) supply to that requesting Party such forms, documentation and other information relating to its status under FATCA as that requesting Party reasonably requests for the purposes of that requesting Party's compliance with FATCA; and

(iii) supply to that requesting Party such forms, documentation and other information relating to its status as that requesting Party reasonably requests for the purposes of that requesting Party's compliance with any other law, regulation or exchange of information regime.

(b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not, or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

(c) Paragraph (a) above shall not oblige any Finance Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any fiduciary duty; or

(iii) any duty of confidentiality.

(d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (a)(ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments thereunder) as if it is not a FATCA Exempt Party, until such time as that Party in question provides the requested confirmation, forms, documentation or other information.

(e) If a Lender fails to supply any forms, documentation and other information in accordance with paragraph (a) above, or any forms, documentation and other information provided by a Lender to the Facility Agent is or becomes materially inaccurate or incomplete, then such Lender shall indemnify the Facility Agent, within three Business Days of demand, against any cost, loss, Tax or liability (including for negligence or any other category of liability whatsoever) incurred by the Facility Agent (including any related interest and penalties) in acting as Facility Agent under the Finance Documents as a result of such failure, inaccuracy or incompleteness.

14.8 **FATCA Deduction**

(a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of that payment for that FATCA Deduction.

(b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction) notify the Party to whom it is making the payment (to which such FATCA Deduction relates) and, in addition, shall notify the Borrower, the Facility Agent and the other Finance Parties.

15. INCREASED COSTS

15.1 **Increased costs**

(a) Subject to Clause 15.3 (*Exceptions*) the Borrower shall, within five Business Days of demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates (on or after the date on which that Finance Party becomes a Finance Party) as a result of:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation after the Amendment and Restatement Date;

(ii) compliance with any law or regulation made, enacted, issued or put into effect after the Amendment and Restatement Date; or

(iii) the implementation or application of, or compliance with, Basel III or any law or regulation that implements or applies Basel III.

(b) In this Agreement:

"**Basel III**" means:

(i) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated (as at the Amendment and Restatement Date);

(ii) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated (as at the Amendment and Restatement Date); and

(iii) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III" and subsisting as at the Amendment and Restatement Date.

"**Increased Costs**" means:

(i) a reduction in the rate of return from any Facility or on a Finance Party's (or any of its Affiliates') overall capital;

(ii) an additional or increased cost; or

(iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to that Finance Party having entered into, or undertaking, funding or performing its obligations under, any Finance Document.

15.2 **Increased cost claims**

(a) A Finance Party intending to make a claim pursuant to Clause 15.1 (*Increased costs*) shall notify the Facility Agent of the claim as soon as reasonably practicable after becoming aware of the event giving rise to that claim, following which the Facility Agent shall promptly notify the Borrower.

(b) Each Finance Party shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs.

(c) A claim pursuant to Clause 15.1 must contain reasonable details of the event giving rise to that claim, the amount of that claim and the basis of computation of that claim.

15.3 **Exceptions**

(a) Clause 15.1 (*Increased costs*) does not apply to any Increased Cost to the extent that such Increased Cost is:

(i) attributable to a Tax Deduction required by law to be made by an Obligor or attributable to a Tax which is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by the relevant Finance Party or the Facility Office of the relevant Finance Party claiming such Increased Cost;

(ii) attributable to a FATCA Deduction required to be made by a Party;

(iii) compensated for by Clause 14.3 (*Tax indemnity*) (or would have been compensated for under Clause 14.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 14.3 (*Tax indemnity*) applied);

(iv) incurred by a Finance Party or an Affiliate of a Finance Party and is attributable to the wilful breach by such Finance Party or such Affiliate of any treaty, law or regulation, or the terms of any Finance Document;

(v) attributable to any penalty having been imposed by the relevant central bank or monetary or fiscal authority upon the relevant Finance Party that is claiming such Increased Cost (or any Affiliate of it) by virtue of its having exceeded any country or sector borrowing or breached any directives imposed upon it (of which it is aware);

(vi) attributable to the implementation or application of, or compliance with, the "International Convergence of Capital Measurement and Capital Standards, a Revised Framework" published by the Basel Committee on Banking Supervision in June 2004 in the form existing on the date of this Agreement ("**Basel II**") or any law or regulation that implements or applies Basel II (whether by a government, regulatory, Finance Party or any of its Affiliates);

(vii) attributable to the implementation or application of, or compliance with, Basel III (in each case in the form subsisting as at the Signing Date) or any law or regulation that implements or applies Basel III (in each case in the form subsisting as at the Signing Date) but (for the avoidance of doubt) the exclusion pursuant to this paragraph (vii) shall not apply to any Increased Cost that is attributable to any amendment or supplement to Basel III (or any change in the interpretation, administration or application of Basel III) after the Signing Date and/or the introduction of or compliance with any amendment or supplement to Basel III after the Signing Date; or

(viii) incurred by any Finance Party but such Finance Party has not made a claim pursuant to Clause 15.2 (*Increased cost claims*) in respect of such Increased Cost on or prior to the date falling 120 days after the later of (A) the date on which such Increased Cost is incurred by such Finance Party and (B) such Finance Party becomes aware of the event or circumstance giving rise to such Increased Cost and is able to determine the amount of such Increased Cost, except to the extent that the event or circumstance giving rise to that Increased Cost or claim has retrospective effect.

(b) In this Clause 15.3 reference to a "**Tax Deduction**" has the same meaning given to the term in Clause 14.1 (*Definitions*).

16. OTHER INDEMNITIES

16.1 Currency indemnity

(a) If any sum due from an Obligor under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

(i) making or filing a claim or proof against that Obligor; or

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor shall as an independent obligation, within five Business Days of receipt of demand, indemnify each of the Mandated Lead Arranger and each other Secured Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of that conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt or recovery of that Sum.

(b) Each Obligor waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

16.2 **Other indemnities**

The Borrower shall (or shall procure that an Obligor will), within five Business Days of receipt of demand (which demand must be accompanied by reasonable details and calculations of the amount demanded), indemnify each of the Mandated Lead Arranger and each other Secured Party against any cost, loss or liability incurred by it:

(a) as a result of the occurrence of any Event of Default;

(b) as a result of any enquiry, investigation, subpoena (or similar order) or legal or arbitral proceedings with respect to any Total Transaction Obligor or any Group Member or with respect to any transactions contemplated or financed under any Finance Document (other than by reason of wilful default or gross negligence by that Secured Party);

(c) in relation to the arranging or syndication of any Facility (or any part thereof) (including any action, claim, investigation or proceeding commenced or threatened in connection therewith) (other than by reason of wilful default or gross negligence by that Secured Party);

(d) in relation to the establishment of any Incremental Facility under Clause 2.5 (*Incremental Facilities*);

(e) as a result of a failure by any Total Transaction Obligor to pay any amount due under a Finance Document on its due date, including any cost, loss or liability arising as a result of Clause 30 (*Sharing among the Finance Parties*);

(f) as a result of funding, or making arrangements to fund, its participation in any Loan requested by the Borrower in any Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of wilful default or gross negligence by that Secured Party); or

(g) as a result of any Loan (or any part of any Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

16.3 **Indemnity to the Facility Agent**

The Borrower shall promptly (and in any event within five Business Days of demand) (which demand must be accompanied by reasonable details and calculations of the amount demanded) indemnify the Facility Agent against any cost, loss or liability incurred by the Facility Agent (acting reasonably) as a result of:

(a) investigating any event which it reasonably believes is a Default;

(b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; or

(c) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under any Finance Document.

16.4 **Indemnity to the Security Agent**

(a) Each Obligor shall promptly (and in any event within five Business Days of demand) (which demand must be accompanied by reasonable details and calculations of the amount demanded) indemnify each of the Security Agent and every Receiver and Delegate against any cost, loss or liability incurred by any of them as a result of:

(i) any failure by the Borrower to comply with its obligations under Clause 18 (*Costs and expenses*);

(ii) acting or relying on any notice, request or instruction purported to be given by a Total Transaction Obligor which it reasonably believes to be genuine, correct and appropriately authorised;

(iii) the taking, holding, protection or enforcement of any Transaction Security;

(iv) the exercise or purported exercise of any of the rights, powers, discretions, authorities and remedies vested in any of the Security Agent, any Receiver or any Delegate by the Finance Documents or by law;

(v) any default by any Total Transaction Obligor in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; or

(vi) acting as Security Agent, Receiver or Delegate under or in connection with the Finance Documents or which otherwise relates to any of the Charged Property (otherwise, in each case, than by reason of the Security Agent's, such Receiver's or such Delegate's (as the case may be) gross negligence or wilful misconduct).

(b) Each Obligor expressly acknowledges and agrees that the continuation of its indemnity obligations under this Clause 16.4 will not be prejudiced by any release or disposal under clause 13 (*Distressed Disposals and Appropriation*) of the Security Trust Agreement taking into account the operation of that clause.

(c) Each of the Security Agent and every Receiver and Delegate may, in priority to any payment to the Secured Parties, indemnify itself out of the Charged Property in respect of, and pay and retain, all sums necessary to give effect to the indemnity in this Clause 16.4 and shall have a lien on the Transaction Security and the proceeds of the enforcement of the Transaction Security for all moneys payable to it under any Finance Document.

17. **MITIGATION BY THE LENDERS**

17.1 **Mitigation**

(a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause Clause 7.1 (*Illegality*), Clause 14 (*Tax gross-up and indemnities*) or Clause 15 (*Increased costs*) including (in relation to any circumstances which arise after the Amendment and Restatement Effective Date) transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.

(b) Paragraph (a) above does not in any way limit the obligations of any Obligor under the Finance Documents.

17.2 **Limitation of liability**

(a) The Borrower shall promptly indemnify each Finance Party, within five Business Days of demand, for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 17.1 (*Mitigation*).

(b) A Finance Party is not obliged to take any steps under Clause 17.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so would be reasonably expected to be prejudicial to it.

18. **COSTS AND EXPENSES**

18.1 **Transaction expenses**

(a) The Borrower shall, within five Business Days of written demand (which demand must be accompanied by reasonable details and calculations of the amount demanded), pay each of the Facility Agent, the Mandated Lead Arranger and the Security Agent the amount of all costs and expenses (including legal fees) reasonably incurred by any of them (and, in the case of the Security Agent, by any Receiver or Delegate) in connection with the negotiation, preparation, printing, execution and perfection of:

(i) this Agreement and any other documents referred to in this Agreement and the Transaction Security; and

(ii) any other Finance Documents (other than any Transfer Certificate) executed after the date of this Agreement.

(b) In the event that the Amendment and Restatement Effective Date does not occur, the Borrower shall only be liable for the Finance Parties' legal advisor's fees and the Finance Parties' costs and expenses under this Clause 18.1 (in relation to the Amendment and Restatement Agreement and the other Amendment Documents (as defined in the Amendment and Restatement Agreement)) up to caps separately agreed between the Mandated Lead Arranger and the Sponsor or the Borrower, provided that (for the avoidance of doubt) this shall not limit the application of paragraph (a) with respect to Finance Documents other than the Amendment and Restatement Agreement and the other Amendment Documents (as defined in the Amendment and Restatement Agreement). No such legal fees or costs or expenses will be paid or reimbursed by the Borrower pursuant to this paragraph (b) until the Borrower and the Mandated Lead Arranger determine (acting reasonably) that the Amendment and Restatement Effective Date is reasonably unlikely to occur on or prior to the Amendment Long-stop Date (as defined in the Amendment and Restatement Agreement).

18.2 **Amendment costs**

If:

(a) an Obligor requests an amendment, waiver or consent; or

(b) an amendment is required pursuant to Clause 31.10 (*Change of currency*),

the Borrower shall, within five Business Days of written demand, reimburse each of the Facility Agent and the Security Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Facility Agent or the Security Agent (and/or, in the case of the Security Agent, by any Receiver or Delegate) in responding to, evaluating, negotiating or complying with that request or requirement.

18.3 **Enforcement and preservation costs**

The Borrower shall, within five Business Days of demand, pay to each Secured Party the amount of all costs and expenses (including legal fees but excluding the cost of any internal management time of the Facility Agent or Security Agent) incurred by it in connection with the enforcement of or the preservation of any rights under any Finance Document and/or any Transaction Security and/or any proceedings instituted by or against the Security Agent as a consequence of taking or holding the Transaction Security or enforcing those rights.

SECTION 7
GUARANTEE

19. GUARANTEE AND INDEMNITY

19.1 Guarantee and indemnity

Each Guarantor irrevocably and unconditionally jointly and severally:

(a) guarantees to each Finance Party punctual performance by each other Transaction Obligor of all of that other Transaction Obligor's obligations under the Finance Documents;

(b) undertakes with each Finance Party that whenever another Transaction Obligor does not pay any amount when due under or in connection with any Finance Document, that Guarantor shall immediately on demand pay that amount as if it was the principal obligor; and

(c) agrees with each Finance Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Finance Party immediately on demand against any cost, loss or liability which such Finance Party incurs as a result of a Transaction Obligor not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by such Transaction Obligor under any Finance Document on the date when it would have been due. The amount payable by a Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 19 if the amount demanded had been recoverable on the basis of a guarantee.

19.2 Continuing Guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Transaction Obligor under the Finance Documents, regardless of any intermediate payment or discharge in whole or in part.

19.3 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of any Total Transaction Obligor or any security for those obligations or otherwise) is made by a Secured Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of each Guarantor under this Clause 19 will continue or be reinstated as if that discharge, release or arrangement had not occurred.

19.4 Waiver of defences

The obligations of each Guarantor under this Clause 19 will not be affected by an act, omission, matter or thing which, but for this Clause 19, would reduce, release or prejudice any of its obligations under this Clause 19 (without limitation and whether or not known to it or any Finance Party) including:

(a) any time, waiver or consent granted to, or composition with, any Total Transaction Obligor or any other person;

(b) the release of any other Total Transaction Obligor or any other person under the terms of any composition or arrangement with any creditor of any Total Transaction Obligor or any other person;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Total Transaction Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any Total Transaction Obligor or any other person;

(e) any amendment, novation, supplement, extension restatement (however fundamental and whether or not more onerous) or replacement of a Finance Document or any other document or security including any change in the purpose of, any extension of or increase in any facility or the addition of any new facility under any Finance Document or other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under any Finance Document or any other document or security; or

(g) any insolvency or similar proceedings.

19.5 **Guarantor intent**

Without prejudice to the generality of Clause 19.4 (*Waiver of defences*), each Guarantor expressly confirms that it intends that this guarantee shall extend from time to time to any (however fundamental) variation, increase, extension or addition of or to any of the Finance Documents and/or any facility or amount made available under any of the Finance Documents for the purposes of or in connection with any of the following: business acquisitions of any nature; increasing working capital; enabling investor distributions to be made; carrying out restructurings; refinancing existing facilities; refinancing any other indebtedness; making facilities available to new borrowers; any other variation or extension of the purposes for which any such facility or amount might be made available from time to time; and any fees, costs and/or expenses associated with any of the foregoing.

19.6 **Immediate recourse**

Each Guarantor waives any right it may have of first requiring any Finance Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from that Guarantor under this Clause 19. This waiver applies irrespective of any law or any provision of a Finance Document to the contrary.

19.7 **Appropriations**

Until (i) all amounts which may be or become payable by any or all of the Total Transaction Obligors under or in connection with the Finance Documents have been irrevocably paid in full and (ii) no Finance Party is under any actual or contingent obligation to make available any further advance or financial accommodation under any Finance Document, each Finance Party (or any trustee or agent on its behalf) may:

(a) refrain from applying or enforcing any other moneys, security or rights held or received by that Finance Party (or any trustee or agent on its behalf) in respect of such amounts referred to in (i), or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and no Guarantor shall be entitled to the benefit of the same; and

(b) hold in an interest-bearing suspense account any moneys received from any Guarantor or on account of any Guarantor’s liability under this Clause 19.

19.8 **Deferral of Guarantors' rights**

Until (i) all amounts which may be or become payable by any or all of the Total Transaction Obligors under or in connection with the Finance Documents have been irrevocably paid in full and (ii) no Finance Party is under any actual or contingent obligation to make available any further advance or financial accommodation under any Finance Document, unless the Facility Agent otherwise directs, no Guarantor will exercise any rights which it may have by reason of performance by it of its obligations under the Finance Documents or by reason of any amount being payable, or liability arising, under this Clause 19:

(a) to be indemnified by any Total Transaction Obligor;

(b) to claim any contribution from any other guarantor of any Total Transaction Obligor's obligations under the Finance Documents;

(c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under the Finance Documents or of any other guarantee or security taken pursuant to, or in connection with, the Finance Documents by any Finance Party;

(d) to bring legal or other proceedings for an order requiring any Total Transaction Obligor to make any payment, or perform any obligation, in respect of which any Guarantor has given a guarantee, undertaking or indemnity under Clause 19 (*Guarantee and indemnity*);

(e) to exercise any right of set-off against any Total Transaction Obligor; and/or

(f) to claim or prove as a creditor of any Total Transaction Obligor in competition with any Finance Party.

If a Guarantor receives any benefit, payment or distribution in relation to any such rights it shall hold that benefit, payment or distribution to the extent necessary to enable all Secured Obligations to be repaid in full on trust for the Secured Parties and shall promptly pay or transfer the same to the Security Agent or as the Security Agent may direct for application in accordance with Clause 31 (*Payment mechanics*) and the Security Trust Agreement.

19.9 **Release of Guarantors' right of contribution**

If any Guarantor (a "**Retiring Guarantor**") ceases to be a Guarantor in accordance with the terms of the Finance Documents then on the date such Retiring Guarantor ceases to be a Guarantor:

(a) that Retiring Guarantor is released by each other Guarantor from any liability (whether past, present or future and whether actual or contingent) to make a contribution to any other Guarantor arising by reason of the performance by any other Guarantor of its obligations under the Finance Documents; and

(b) each other Guarantor waives any rights it may have by reason of the performance of its obligations under the Finance Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Finance Parties under any Finance Document or of any other security taken pursuant to, or in connection with, any Finance Document where such rights or security are granted by or in relation to the assets of the Retiring Guarantor.

19.10 **Additional security**

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Finance Party.

SECTION 8
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

20. REPRESENTATIONS

20.1 General

Each Obligor makes the representations and warranties set out in this Clause 20 to each Finance Party.

20.2 Status

(a) It is a limited liability corporation or company, duly incorporated and validly existing (and, if incorporated or established in the Cayman Islands, in good standing) under the law of its Original Jurisdiction.

(b) Each of it and each Group Member has the power to own its or such Group Member's assets and carry on its or such Group Member's business as it is being conducted, except where the failure to do so would not reasonably be expected to have a Material Adverse Effect.

20.3 Binding obligations

Subject to the Legal Reservations and, in the case of the Transaction Security Documents, completion of the applicable Perfection Requirements which are not overdue:

(a) the obligations expressed to be assumed by it in each Finance Document to which it is a party are legal, valid, binding and enforceable obligations; and

(b) (without limiting the generality of paragraph (a) above), each Transaction Security Document to which it is a party creates the security interests which that Transaction Security Document purports to create and those security interests are valid and effective.

20.4 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Finance Documents to which it is a party and the granting of the Transaction Security by it do not and will not conflict with:

(a) any applicable law or regulation;

(b) the Constitutional Documents of any Transaction Obligor or any Group Member; or

(c) any agreement or instrument binding upon it or any Group Member or any of its or any Group Member's assets or constitute a default or termination event (however described) under any such agreement or instrument.

20.5 Power and authority

(a) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is or will be a party and the transactions contemplated by those Finance Documents.

(b) No limit on its powers will be exceeded as a result of the borrowing, grant of security or giving of guarantees or indemnities contemplated by the Finance Documents to which it is a party.

20.6 **Validity and admissibility in evidence**

(a) All Authorisations required:

(i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party; and

(ii) to make the Finance Documents to which it is a party admissible in evidence in its Relevant Jurisdictions,

have been obtained or effected and are in full force and effect (save for any Authorisation that is not required to be in effect under applicable law or regulation or under the applicable Finance Documents at the time when the representation and warranty under this paragraph (a) is made or deemed to be made, in which case such Authorisation will, by the earlier of the time such Authorisation is required to be obtained or effected under applicable law or regulation and the time required under the applicable Finance Documents, be obtained or effected and will thereafter be in full force and effect).

(b) All Authorisations necessary for the conduct of the business, trade and ordinary activities of it and/or Group Members have been obtained or effected and are in full force and effect if failure to obtain or effect those Authorisations has or would reasonably be expected to have a Material Adverse Effect.

20.7 **Governing law and enforcement**

(a) Subject to the Legal Reservations, the choice of governing law of the Finance Documents to which it is a party will be recognised and enforced in its Relevant Jurisdictions.

(b) Subject to the Legal Reservations, any judgment obtained in relation to a Finance Document in the jurisdiction of the governing law of that Finance Document to which it is a party will be recognised and enforced in its Relevant Jurisdictions.

20.8 **Insolvency**

No:

(a) corporate action, legal proceeding or other formal procedure or step described in paragraph (a) of Clause 24.7 (*Insolvency proceedings*); or

(b) creditors' process described in Clause 24.8 (*Creditors' process*),

has been taken or, to its knowledge, has been threatened in relation to any Transaction Obligor or any Group Member and none of the circumstances described in Clause 24.6 (*Insolvency*) applies to any Transaction Obligor or any Group Member.

20.9 **No filing or stamp taxes**

Under the laws of its Relevant Jurisdictions it is not necessary that any of the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to any of the Finance Documents or the transactions contemplated by the Finance Documents, except for any filing, recording or enrolling in relation to any Transaction Security (constituting Perfection Requirements) which will be made within the time limits specified in the relevant Transaction Security Document (and in any event by the earlier of (i) the time such filing, recording or enrolling is required to be made under applicable law or regulation and (ii) the time required under the Finance Documents) and except that Cayman Islands stamp duty will be payable if any Finance Document is executed in, brought into, or produced to a court of, the Cayman Islands.

20.10 **No default**

To its knowledge after having made due enquiry, no Event of Default and, on the Amendment and Restatement Effective Date and on each Utilisation Date, no Default is continuing or would reasonably be expected to result from the making of any Loan or the entry into, the performance of, or any transaction contemplated by, any Finance Document and which has not been notified to the Facility Agent in accordance with Clause 21.6 (*Notification of default*).

20.11 **No misleading information**

(a) Any factual information provided by or on behalf of any Total Transaction Obligor or any Group Member to a Finance Party (or its agents or advisors) is complete and accurate in all material respects and is not misleading in any material respect (in each case) as at the date on which such information is so provided.

(b) The financial projections or forecasts contained in the Base Case Model have been prepared on the basis of reasonable assumptions (in each case, as at the date of preparation) (it being understood that projections are subject to significant uncertainties and contingencies, many of which are beyond the control of the Group and that no assurances can be given that such projections will be realised). All expressions of opinion or intention provided by or on behalf of any Total Transaction Obligor or any Group Member for the purposes of or contained in the Base Case Model were made after careful consideration and were based on reasonable grounds.

(c) No event or circumstance has occurred or arisen and, to its knowledge, no material information has been omitted from the information provided by or on behalf of any Total Transaction Obligor or any Group Member to a Finance Party (or its agents or advisors) and no information has been given or withheld that results in the information, forecasts or projections contained in the information provided by or on behalf of any Total Transaction Obligor or any Group Member to a Finance Party (or its agents or advisors) being untrue or misleading in any material respect as at their stated date (it being understood that projections are subject to significant uncertainties and contingencies many of which are beyond the control of the Group and that no assurances can be given that such projections will be realised).

20.12 **Original Financial Statements**

(a) Each set of the Original Financial Statements and the management accounts delivered pursuant to the Amendment and Restatement Agreement was prepared in accordance with the Accounting Principles consistently applied, unless disclosed to the Facility Agent in writing to the contrary prior to the Amendment and Restatement Date.

(b) Each set of the Original Financial Statements and the management accounts delivered pursuant to the Amendment and Restatement Agreement gives a true and fair view of (if audited) or fairly represents (if unaudited) the financial condition and the results of operations of the Borrower, the combined consolidated financial condition and combined consolidated results of operations of the WOFE Guarantor or, as the case may be, the financial condition and the results of operations of the applicable Group Member during the period to which such Original Financial Statements or, as the case may be, management accounts relate.

(c) The most recent financial statements of the Group, the WOFE Guarantor or any IPO Entity (in respect of any Flotation) delivered pursuant to Clause 21.1 (*Financial statements*):

(i) have been prepared in accordance with the Accounting Principles as applied to the Base Financial Statements (in relation to the Group, the WOFE Guarantor or, as the case may be, such IPO Entity); and

(ii) give a true and fair view of (if audited) or fairly represent (if unaudited) (A) the Group's consolidated financial condition as at the end of, and consolidated results of operations for, the period to which they relate, (B) the WOFE Guarantor's combined consolidated financial condition as at the end of, and combined consolidated results of operations for, the period to which they relate or, as the case may be, (C) such IPO Entity's consolidated financial condition as at the end of, and consolidated results of operations for, the period to which they relate.

(d) Since the date of the Original Financial Statements there has been no material adverse change in the assets, business or financial condition of the Group (taken as a whole).

20.13 **No proceedings pending or threatened**

No litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or agency which, if adversely determined, would reasonably be expected to have a Material Adverse Effect have (its knowledge) been started or threatened against it or any Group Member.

20.14 **No breach of laws**

(a) It has not (and no Group Member has) breached any law or regulation (including any SAFE Rules) which breach has or would reasonably be expected to have a Material Adverse Effect.

(b) No labour disputes are current or, to the best of its knowledge and belief (having made due and careful enquiry), threatened against it or any Group Member which have or would reasonably be expected to have a Material Adverse Effect.

(c) The business and operations of each Total Transaction Obligor and each Group Member are and have been conducted in compliance with Anti-Money Laundering Laws and no action, suit or proceeding by or before any court or Governmental Authority or any arbitrator involving any Total Transaction Obligor or any Group Member with respect to Anti-Money Laundering Laws is pending or, to its knowledge, threatened.

20.15 **Environmental laws**

(a) Each of it and each Group Member is in compliance with Clause 23.3 (*Environmental compliance*) and to its knowledge no circumstances have occurred which would prevent such compliance in a manner or to an extent which has or would reasonably be expected to have a Material Adverse Effect.

(b) No Environmental Claim has been commenced or (to its knowledge) threatened against it or any Group Member where that claim, if determined against it or that Group Member, has or could reasonably be expected to have a Material Adverse Effect.

20.16 **Taxation**

(a) It is not (and no Group Member is) materially overdue in the filing of any Tax returns.

(b) It is not (and no Group Member is) overdue in payment of Taxes (except where (i) such payment is being contested in good faith and adequate reserves are being maintained for those Taxes and (ii) failure to pay those Taxes does not have and could not reasonably be expected to have a Material Adverse Effect).

(c) No claims or investigations are being, or are likely to be, made or conducted against it (or any Group Member) with respect to Taxes which would reasonably be expected to have a Material Adverse Effect.

20.17 **Ranking**

Without limiting Clause 20.18 (*Security, Financial Indebtedness and guarantees*), its payment obligations under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors except for those obligations mandatorily preferred by laws of general application to companies.

20.18 **Security, Financial Indebtedness and guarantees**

(a) No Security or Quasi-Security exists over all or any of the present or future assets of it or any Group Member other than as permitted by this Agreement.

(b) Neither it nor any Group Member has any Financial Indebtedness outstanding or any guarantee outstanding other than as permitted by Clause 23.19 (*Financial Indebtedness*) or Clause 23.15 (*No Guarantees or indemnities*).

(c) Subject to the Legal Reservations and any applicable Perfection Requirements (that are not overdue), each Transaction Security Document creates (or, once entered into, will create), in favour of the Security Agent for the benefit of the Secured Parties, the Security which it is expressed to create with the ranking and priority it is expressed to have and such Security is not subject to any prior ranking or pari passu ranking Security.

20.19 **Good title to assets**

Each of it and each Group Member has a good, valid and marketable title to, or valid leases or licences of, and all necessary Authorisations to use, the assets necessary to carry on its business or such Group Member's business as presently conducted, in each case, where failure to do so has or would reasonably be expected to have a Material Adverse Effect.

20.20 **Legal and beneficial ownership**

Subject to any Transaction Security, each Total Transaction Obligor is the sole legal and beneficial owner of the respective assets over which such Total Transaction Obligor purports to grant Security.

20.21 **Shares**

(a) The Equity Interests in any Transaction Obligor which are subject to Transaction Security or security under the VIE Entity Equity Pledge are (or, at the time such Transaction Security will be granted, will be) fully paid and not subject to any option to purchase or similar rights (other than, (1) in the case of Equity Interests in the VIE Entity held by a VIE Nominee, applicable pre-emption rights of the other VIE Nominee(s) in respect of such Equity Interests under applicable law or regulation and/or under the constitutional documents of the VIE Entity as disclosed to the Finance Parties prior to the date of this Agreement, and (2) in the case of Equity Interests in the WOFE Guarantor held by the HK Guarantor, applicable pre-emption rights of any other shareholder(s) of the WOFE Guarantor (if any) in respect of such Equity Interests under applicable law or regulation).

(b) There are no agreements in force which provide for the issue or allotment of, or grant any person the right to call for the issue or allotment of, any Equity Interest in or loan capital of any Transaction Obligor or Group Member (including any option or right of pre-emption or conversion).

20.22 **Intellectual Property**

(a) Each of it and each Group Member is the sole legal and beneficial owner of or has licensed to it or such Group Member on normal commercial terms all the Intellectual Property which is material in the context of its or such Group Member's business and which is required by it or such Group Member in order to carry on its or such Group Member's business as it is being conducted and as contemplated in the Base Case Model.

(b) There has been no infringement or, to its knowledge, threatened or suspected infringement of or challenge to the validity of any Intellectual Property owned by or licensed to it or any Group Member which has or would reasonably be expected to have a Material Adverse Effect.

(c) Each of it and each Group Member has taken all formal or procedural actions (including payment of fees) required to maintain any Intellectual Property owned by it or such Group Member, saved to the extent failure to do so would not reasonably be expected to have a Material Adverse Effect.

20.23 **Group Structure Chart**

The Group Structure Chart set out in Schedule 13 (*Group Structure Chart*) is true, complete and accurate in all material respects.

20.24 **VIE Contracts**

(a) The VIE Contracts contain all the material terms of any and all agreements and arrangements between any of the VIE Nominees, any VIE Group Member and any Group Member (that is not a VIE Group Member) with respect to voting rights and/or economic interests in respect of a VIE Group Member.

(b) Subject to the Legal Reservations, the obligations of or expressed to be assumed by each party to a VIE Contract are legal, valid, binding and enforceable obligations, and each VIE Contract is in full force and effect.

(c) As at the Amendment and Restatement Effective Date and as at each Utilisation Date in respect of a Term Facility, (i) no party to any VIE Contract is in breach of or non-compliance with its obligations under any VIE Contract in any material respect and (ii) no representation or warranty given or expressed to be given by any part to any VIE Contract under or in respect of any VIE Contract is incorrect or misleading any material respect.

(d) Except with the prior written consent of the Facility Agent (acting on the instructions of the Majority Lenders) or disclosed in writing to the Facility Agent prior to the Amendment and Restatement Date:

(i) there has been no amendment, variation or supplement of or to, or any material waiver by any Transaction Obligor or any Group Member of, any of the terms of any VIE Contract; and

(ii) none of any Transaction Obligor or any Group Member has given any consent (which would reasonably be expected to be materially adverse to the interests of the Finance Parties) under any VIE Contract.

(e) There has been no termination, expiry, rescission or cancellation of or any assignment or transfer of any rights or obligations under, any of the VIE Contracts.

20.25 **Holding Companies**

Except as may arise under the Finance Documents, none of the Parent, the Borrower, the HK Guarantor and the Cayman Guarantor has traded or incurred any liabilities or commitments (actual or contingent, present or future) other than as permitted by Clause 23.9 (*Holding Companies*).

20.26 **Outbound security for offshore lending**

No outstanding debt or payment obligation or other amount (however described) is owed by or outstanding from any person located outside the PRC to any Transaction Obligor that is incorporated or established in the PRC (whether as a subrogated creditor or otherwise) arising from any enforcement of (or, as the case may be, claim under or in respect of) any Nei Bao Wai Dai Transaction under which such Transaction Obligor has provided any guarantee or security.

20.27 **Times when representations made**

(a) All the representations and warranties in this Clause 20 are made by each Obligor on the Amendment and Restatement Effective Date.

(b) The Repeating Representations are deemed to be made by each Obligor on the date of each Utilisation Request, on each Utilisation Date and on the first day of each Interest Period. The representations and warranties set out in paragraph (d) of Clause 20.12 (*Original Financial Statements*) and Clause 20.13 (*No proceedings pending or threatened*) are deemed to be made by each Obligor on the date of each Utilisation Request and on each Utilisation Date. The representations and warranties set out in paragraph (c) of Clause 20.24 (*VIE Contracts*) are deemed to be made by each Obligor on the date of each Utilisation Request (in respect of a Term Facility) and on each Utilisation Date (in respect of a Term Facility).

(c) The representations and warranties set out in paragraph (b) of Clause 20.24 (*VIE Contracts*) are deemed to be made by each Obligor (with respect to any VIE Contract entered into since the last time when such representations and warranties are made) on the date on which such VIE Contract is entered into.

(d) (i) The Repeating Representations (other than Clauses 20.11 (*No misleading information*)) and (ii) the representations and warranties in Clause 20.9 (*No filing or stamp taxes*) and (insofar as they relate to Original Financial Statements of the applicable Additional Guarantor) paragraphs (a) and (b) of Clause 20.12 (*Original Financial Statements*)) are deemed to be made by each Additional Guarantor on the day on which it becomes (or is to become) an Additional Guarantor.

(e) The representations and warranties in Clause 20.11 (*No misleading information*) are deemed to be made by each Obligor on the Syndication Date.

(f) The representations and warranties in Clause 20.26 (*Outbound security* for offshore lending) (insofar as it relates to any Transaction Obligor that is incorporated or established in the PRC) are deemed to be made by each Obligor on the date on which such Transaction Obligor (that is incorporated or established in the PRC) enters into any Guarantee or Transaction Security Document and on the date on which any Incremental Facility is established.

(g) Each representation or warranty deemed to be made after the Amendment and Restatement Effective Date shall be deemed to be made by reference to the facts and circumstances existing at the date such representation or warranty is deemed to be made.

21. INFORMATION UNDERTAKINGS

The undertakings in this Clause 21 remain in force from the Amendment and Restatement Effective Date for so long as any amount is outstanding under the Finance Documents or any Commitment in respect of any Facility (or any commitment represented thereby) is in force.

In this Clause 21:

"**Annual Financial Statements**" means any financial statements delivered pursuant to paragraph (a) of Clause 21.1 (*Financial statements*).

"**Quarterly Financial Statements**" means any financial statements delivered pursuant to paragraph (c) of Clause 21.1 (*Financial statements*).

"**Semi-Annual Financial Statements**" means any financial statements delivered pursuant to paragraph (b) of Clause 21.1 (*Financial statements*).

21.1 Financial statements

The Borrower shall supply to the Facility Agent in sufficient copies for all the Lenders:

(a) as soon as reasonably practicable, but in any event within 150 days after the end of each of its Financial Years:

(i) the audited consolidated financial statements of the Group for that Financial Year, in each case, audited by an independent firm of certified public accountants (which must be one of the Auditors);

(ii) the unaudited combined consolidated financial statements of the WOFE Guarantor for that Financial Year prepared by the Group's auditors (which must be one of the Auditors); and

(iii) (if any Qualifying Flotation has occurred) the audited consolidated financial statements of the IPO Entity (in respect of such Qualifying Flotation) for that Financial Year, in each case, audited by an independent firm of certified public accountants (which must be one of the Auditors);

(b) as soon as reasonably practicable, but in any event within 90 days after the end of each of its Financial Half-Years:

(i) the unaudited consolidated financial statements of the Group for that Financial Half-Year;

(ii) the unaudited combined consolidated financial statements of the WOFE Guarantor for that Financial Half-Year; and

(iii) (if any Qualifying Flotation has occurred) the unaudited consolidated financial statements of the IPO Entity (in respect of such Qualifying Flotation) for that Financial Half-Year; and

(c) as soon as reasonably practicable, but in any event within 60 days after the end of each Financial Quarter of each of its Financial Years:

(i) the unaudited consolidated financial statements of the Group for that Financial Quarter; and

(ii) (if any Qualifying Flotation has occurred and if such financial statements are prepared) the unaudited consolidated financial statements of the IPO Entity (in respect of such Qualifying Flotation) for that Financial Quarter.

For the avoidance of doubt and without prejudice to the foregoing, on or after the Amendment and Restatement Effective Date, the Borrower shall deliver the financial statements of the Group for the period ended 30 June 2017 (and for each subsequent period ending on the last day of a Financial Quarter that falls prior to the Amendment and Restatement Effective Date) pursuant to this Clause 21.1 (in each case on or prior to the time limit specified herein) notwithstanding that such period had lapsed prior to the Amendment and Restatement Effective Date.

21.2 **Provision and contents of Compliance Certificate**

(a) The Borrower shall supply a Compliance Certificate to the Facility Agent with each set of the Annual Financial Statements, each set of the Semi-Annual Financial Statements and each set of the Quarterly Financial Statements.

(b) Each Compliance Certificate shall, amongst other things:

(i) set out (in reasonable detail) computations as to:

(A) commencing on and from the First Test Date, compliance with Clause 22 (*Financial covenants*) (including, where relevant, the effect of any election under Clause 22.4 (*Equity cure*));

(B) any amount which is required to be prepaid under paragraph (b) of Clause 8.1 (*Exit and Flotation*);

(C) the amount of (1) any New Shareholder Injection and (2) any Acceptable Funding Source received by any Group Member since (in the case of the first Compliance Certificate) the date of this Agreement or (in the case of any subsequent Compliance Certificate) the expiry of the period of the Annual Financial Statements, Semi-Annual Financial Statements or Quarterly Financial Statements to which the immediately preceding Compliance Certificate relates;

(D) the amount of any Cure Amount received and the application of any amount standing to the credit of the Cure Amount Account (including particulars of any person in favour of which such amount is withdrawn, transferred or applied and the nature of such withdrawal, transfer or application), since (in the case of the first Compliance Certificate delivered after the Amendment and Restatement Effective Date) the Amendment and Restatement Effective Date or (in the case of any subsequent Compliance Certificate) the date of the immediately preceding Compliance Certificate; and

(E) compliance with Clause 23.27 (*DSRA and Distribution Account*);

(ii) certify (A) the aggregate outstanding amount of Lionbridge Investments and the maturity date of each of such Lionbridge Investments and (B) whether any Lionbridge Investment has been made on or after the date of the previous Compliance Certificate (or, in the case of the first Compliance Certificate, the date of this Agreement) and if so the amount of such Lionbridge Investment and whether the condition set out in paragraph (b) of the definition of "New Lionbridge Investment" is satisfied with respect to such Lionbridge Investment; and

(iii) confirm that no Default has occurred and is continuing or, if a Default is continuing, specify the nature of such Default and the steps being taken to remedy such Default,

and shall be otherwise in the form set out in Schedule 8 (*Form of Compliance Certificate*).

(c) Each Compliance Certificate shall be signed by a director of the Borrower or the Chief Financial Officer.

21.3 **Requirements as to financial statements**

(a) The Borrower shall procure that each set of Annual Financial Statements, Semi-Annual Financial Statements and Quarterly Financial Statements includes a balance sheet, profit and loss account and cashflow statement. In addition the Borrower shall procure that each set of Annual Financial Statements of the Group or any IPO Entity in respect of any Qualifying Flotation shall be (in the case of Annual Financial Statements of the Group) audited by the auditors of the Group (which auditors shall, in each case, be one of the Auditors) or (in the case of Annual Financial Statements of any IPO Entity in respect of any Qualifying Flotation) audited by the auditors of such IPO Entity (which auditors shall, in each case, be one of the Auditors).

(b) The Borrower shall procure that each set of financial statements delivered pursuant to Clause 21.1 (*Financial statements*) in respect of the Group, the WOFE Guarantor or any IPO Entity (in respect of any Qualifying IPO):

(i) shall be certified by a director of the Borrower as giving a true and fair view of (in the case of any Annual Financial Statements of the Group or such IPO Entity) or fairly representing (in any other case) the consolidated financial condition and operations of the Group, the combined consolidated financial condition and operations of the WOFE Guarantor, or (as the case may be) the consolidated financial condition and operations of such IPO Entity, as at the end of and during the applicable period to which such financial statements relate; and

(ii) shall be prepared using the Accounting Principles, accounting practices and financial reference periods consistent with those applied in the preparation of the Base Financial Statements (in relation to the Group, the WOFE Guarantor or, as the case may be, such IPO Entity) unless, in relation to any set of financial statements, the Borrower notifies the Facility Agent that there has been a change in the Accounting Principles or the accounting practices applied in the preparation of such financial statements, and the auditors of the Group, the WOFE Guarantor or such IPO Entity (as applicable) (which auditors shall, in each case, be one of the Auditors) deliver to the Facility Agent:

(A) a description of any change necessary for those financial statements to reflect the Accounting Principles or accounting practices upon which the Base Financial Statements (in relation to the Group, the WOFE Guarantor or, as the case may be, such IPO Entity) were prepared; and

(B) sufficient information, in form and substance as may be reasonably required by the Facility Agent, to enable the Finance Parties to determine whether Clause 22.2 (*Financial condition*) has been complied with to determine Leverage for any purpose and to make an accurate comparison between the financial position indicated in (1) those financial statements and (2) the Base Financial Statements (relating to the Group, the WOFE Guarantor or, as the case may be, such IPO Entity).

Any reference in this Agreement to any financial statements of (x) the Group, (y) the WOFE Guarantor or (z) any IPO Entity (in respect of any Qualifying Flotation) shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Base Financial Statements of the Group, the WOFE Guarantor or, as the case may be, such IPO Entity were prepared.

For the purposes hereof, "**Base Financial Statements**" means:

(1) (in relation to the Group or financial statements of the Group) the Original Financial Statements of the Borrower;

(2) (in relation to the WOFE Guarantor or financial statements of the WOFE Guarantor) the Original Financial Statements of the WOFE Guarantor and

(3) (in relation to any IPO Entity in respect of any Qualifying Flotation or financial statements of such IPO Entity) (A) as at any time upon or prior to the delivery of first set of audited financial statements of such IPO Entity pursuant to Clause 21.1 (*Financial statements*), the first set of financial statements of such IPO Entity delivered pursuant to Clause 21.1 (*Financial statements*) or (B) after the delivery of the first set of audited financial statements of such IPO Entity delivered pursuant to Clause 21.1 (*Financial statements*), the first set of audited financial statements of such IPO Entity delivered pursuant to Clause 21.1 (*Financial statements*).

(c) In this Agreement, any reference to any combined consolidated financial statements of the WOFE Guarantor means combined consolidated financial statements of the WOFE Guarantor prepared as if the VIE Entity were a direct Subsidiary of the WOFE Guarantor, and any reference to the combined consolidated financial condition or operations of the WOFE Guarantor shall be construed accordingly.

21.4 **Year-end and Auditors**

(a) The Borrower shall procure that the last day of each Financial Year of the Group, of each Group Member and (if a Qualifying IPO has occurred) the IPO Entity in respect of such Qualifying IPO falls on 31 December.

(b) Each Obligor shall ensure that the auditors of each of the Relevant Obligors, the Group and (if a Qualifying IPO has occurred) the IPO Entity in respect of such Qualifying IPO will be one of the Auditors.

21.5 **Information: miscellaneous**

The Borrower shall supply to the Facility Agent (in sufficient copies for all the Lenders, if the Facility Agent so requests):

(a) at the same time as they are dispatched, copies of all material documents dispatched by any Relevant Obligor or any Group Member (or, if a Qualifying IPO has occurred, the IPO Entity in respect of such Qualifying IPO) to its shareholders generally (or any class of them) or to its creditors generally (or any class of them);

(b) promptly upon becoming aware of the same, the details of any litigation, arbitration or administrative proceedings, labour dispute or Environmental Claim which are current, threatened or pending against any Total Transaction Obligor or any Group Member which have or, if adversely determined, could be reasonably likely to have a Material Adverse Effect;

(c) details of any Change of Control, Flotation, VIE Termination Event or any other event or circumstance which will give rise to the requirement of any prepayment of any Loan under Clause 8 (*Mandatory prepayment and cancellation*);

(d) within a reasonable time after being requested to do so (to the extent permitted by law and any applicable confidentiality requirement binding on the applicable Group Member (which confidentiality requirement is entered into by such Group Member for bona fide purposes prior to the date of such request and not entered into intentionally to circumvent the requirement for disclosure to any Finance Party under any Finance Document)), such further information regarding the financial condition, assets and operations of the Group, any Transaction Obligor and/or any Group Member and/or (if a Qualifying IPO has occurred) the IPO Entity in respect of such Qualifying IPO as the Facility Agent (acting on the instructions of the Majority Lenders (acting reasonably)) may reasonably request in connection with any of the Finance Documents or the transactions contemplated thereby; and/or

(e) promptly, notice of any change in authorised signatories of any Total Transaction Obligor signed by such Total Transaction Obligor or a director of such Total Transaction Obligor accompanied by specimen signatures of any new authorised signatories of such Total Transaction Obligor.

21.6 **Notification of default**

(a) Each Obligor shall notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless that Obligor is aware that such a notification has already been provided by another Obligor).

(b) Promptly upon a request by the Facility Agent, the Borrower shall supply to the Facility Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is continuing (or if a Default is continuing, specifying such Default and the steps, if any, being taken to remedy it).

21.7 **"Know your customer" checks**

(a) If:

(i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation made after the Amendment and Restatement Date;

(ii) any change in the status of any Total Transaction Obligor or the composition of the shareholders of any Total Transaction Obligor after the Amendment and Restatement Date; or

(iii) a proposed assignment or transfer by a Lender of any of its rights and/or obligations under this Agreement,

obliges the Facility Agent, the Security Agent or any Lender (or, in the case of paragraph (a)(iii) above, any prospective assignee or transferee of any Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, each Obligor shall promptly upon the request of the Facility Agent, the Security Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender), the Security Agent (for itself) or any Lender (for itself or, in the case of the event described in paragraph (a)(iii) above, on behalf of any prospective assignee or transferee of any Lender) in order for the Facility Agent, the Security Agent such Lender or, in the case of the event described in paragraph (a)(iii) above, any prospective assignee or transferee of any Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations and internal policies pursuant to the transactions contemplated in the Finance Documents.

(b) Each Lender shall promptly upon the request of the Facility Agent or the Security Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself) or the Security Agent (for itself) in order for the Facility Agent or the Security Agent to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations and internal policies pursuant to the transactions contemplated in the Finance Documents.

(c) The Borrower shall, by not less than five Business Days' prior written notice to the Facility Agent, notify the Facility Agent (which shall promptly notify the Lenders) of its intention to request that any Group Member becomes an Additional Guarantor pursuant to Clause 27 (*Changes to the Obligors*).

(d) Following the giving of any notice pursuant to paragraph (c) above, if the accession of such Group Member to this Agreement as an Additional Guarantor obliges the Facility Agent, the Security Agent or any Lender (or any prospective assignee or transferee of any Lender) to comply with "know your customer" or similar identification procedures in circumstances where the necessary information is not already available to it, the Borrower shall promptly upon the request of the Facility Agent, the Security Agent or any Lender supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender), the Security Agent (for itself) or any Lender (for itself or on behalf of any prospective assignee or transferee of any Lender) in order for the Facility Agent, the Security Agent or such Lender or any prospective assignee or transferee of any Lender to carry out and be satisfied it has complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations and internal policies pursuant to the accession of such Group Member to this Agreement as an Additional Guarantor.

22. **FINANCIAL COVENANTS**

22.1 **Financial definitions**

In this Agreement:

"**Acquired Entity**" means an entity the subject of a Permitted Acquisition (under paragraph (e) of that definition) which entity was not, and was not owned by, a Group Member prior to such Permitted Acquisition but becomes a Group Member pursuant to such Permitted Acquisition (and for such purpose, where the subject of a Permitted Acquisition is a business, such business shall be deemed to constitute a separate legal entity and become a Group Member upon the date of closing of such Permitted Acquisition, and such separate legal entity shall be an Acquired Entity, and the definition of "Adjusted EBITDA" shall apply accordingly).

"**Adjusted EBITDA**" means, in relation to a Relevant Period, EBITDA for that Relevant Period as adjusted in accordance with paragraphs (b) to (d) of Clause 22.3 (*Financial testing*) below.

"**Borrowings**" means, at any time, the aggregate outstanding principal, capital or nominal amount (and any fixed or minimum premium payable on prepayment or redemption) of any indebtedness of Group Members for or in respect of Indebtedness for Borrowed Money but:

(a) **excluding** any such obligations to any other Group Member;

(b) **excluding** any such obligations in respect of any Parent Loan and, to the extent they would otherwise constitute Borrowings, any New Shareholder Injections; and

(c) **including**, in the case of Finance Leases only, their capitalised value,

and so that no amount shall be included or excluded more than once.

"**Business Acquisition**" means (a) any acquisition by any Group Member (from a person that is not a Group Member) of any Equity Interests in any person (other than any Cash Equivalent Investments or any other cash equivalent investments) or any business or undertaking, or any interest in any of the foregoing, or (b) the incorporation of a company or entity by any Group Member.

"**Capital Expenditure**" means any expenditure or obligation in respect of expenditure (other than expenditure or obligations in respect of Business Acquisitions) which, in accordance with the Accounting Principles, is treated as capital expenditure (including the capital element of any Finance Lease).

"**Cashflow**" means, in respect of any period, EBITDA for that period after:

(a) **adding** the amount of any decrease (and **deducting** the amount of any increase) in Working Capital for that period;

(b) **adding** the amount of any cash receipts (and **deducting** the amount of any cash payments) of the Group (on a consolidated basis) during that period in respect of any Exceptional Items not already taken account of in calculating EBITDA for any period (other than, in the case of cash receipts, New Shareholder Injections and Flotation Proceeds);

(c) **adding** the amount of any cash receipts of the Group (on a consolidated basis) during that period in respect of any Tax rebates or Tax credits and **deducting** the amount actually paid or due and payable in respect of Taxes during that period by any Group Member;

(d) **adding** (to the extent not already taken into account in determining EBITDA) the amount of any dividends or other profit distributions received in cash by any Group Member during that period from any Non-Group Entity and **deducting** (to the extent not already deducted in determining EBITDA) the amount of any dividends or distributions paid in cash by any Group Member (other than the Borrower) during that period to any holder of Equity Interests in such Group Member (which holder is not itself a Group Member);

(e) **adding** the amount of any increase in provisions, other non-cash debits and other non-cash charges (which are not Current Assets or Current Liabilities) of the Group (on a consolidated basis) during that period and **deducting** the amount of any decrease in provisions or other non-cash credits (which are not Current Assets or Current Liabilities) of the Group (on a consolidated basis) during that period, (in each case) to the extent taken into account in the calculation of EBITDA for that period; and

(f) **deducting** the amount of:

(i) any Capital Expenditure actually made (or due to be made) in cash; and

(ii) any cash consideration paid for, or the cash cost incurred in respect of any Business Acquisition,

during that period by any Group Member (in favour of any person that is not a Group Member) except (in each case) to the extent funded from (A) New Shareholder Injection or (B) the proceeds of any Permitted Financial Indebtedness (incurred by any Group Member from a person that is not a Group Member that are (in each case under (A) and (B)) not applied towards any other purpose,

and so that no amount shall be added or deducted more than once.

"**Current Assets**" means, at any time, the aggregate (on a consolidated basis) of all inventory, work in progress, trade and other receivables of each Group Member including prepayments in relation to operating items and sundry debtors (but excluding cash, Cash Equivalent Investments and other cash equivalent investments) expected to be realised within twelve months from the date of computation but excluding amounts in respect of:

(a) receivables in relation to Tax;

(b) Exceptional Items and other non-operating items;

(c) insurance claims; and

(d) any interest owing to any Group Member.

"**Current Liabilities**" means, at any time, the aggregate (on a consolidated basis) of all liabilities (including trade creditors, accruals and provisions) of each Group Member expected to be settled within twelve months from the date of computation but excluding amounts in respect of:

(a) liabilities for Borrowings and Finance Charges;

(b) liabilities for Tax;

(c) Exceptional Items and other non-operating items;

(d) insurance claims; and

(e) liabilities in relation to dividends or distributions declared but not paid by a Group Member in favour of a person which is not a Group Member.

"**Debt Service**" means, in respect of any period, the aggregate of:

(a) Finance Charges for that period;

(b) all scheduled repayments or scheduled redemptions of Borrowings falling due from any Group Member during that period, provided that such scheduled repayments or scheduled redemptions shall:

(i) exclude any scheduled repayments or scheduled redemptions in favour of any Group Member;

(ii) exclude any amounts falling due under any overdraft or revolving facility (including, without limitation, any overdraft or revolving facility) and which were available (or available subject to satisfaction of applicable conditions) for simultaneous redrawing according to the terms of that facility; and

(iii) be determined after giving effect to any reduction in such scheduled repayments or scheduled redemptions as a result of any mandatory or voluntary prepayments or redemptions actually made, provided further that in the case of voluntary prepayments or redemptions in respect of any Facility (excluding Facility B) or any part thereof that are made during such period, scheduled repayments or scheduled redemptions of Borrowings falling due from any Group Member during that period shall be determined as if such voluntary prepayments or redemptions had not been made except to the extent that such voluntary prepayments or redemptions are applied to reduce Repayment Instalments in respect of such Facility on a pro rata basis; and

(c) the amount of the capital element of any payments in respect of that period payable under any Finance Lease entered into by any Group Member,

and so that no amount shall be included more than once.

"**Debt Service Coverage Ratio**" means, in respect of any period, the ratio of Cashflow to Debt Service in respect of that period.

"**Disposed Entity**" means an entity the subject of a Permitted Disposal which entity was a Group Member prior to such Permitted Disposal but ceases to be a Group Member and ceases to be owned by a Group Member pursuant to such Permitted Disposal (and for such purpose, where the subject of a Permitted Disposal is a business, such business shall be deemed to constitute a separate legal entity and cease to be a Group Member upon the date of closing of such Permitted Disposal, and such separate legal entity shall be a "Disposed Entity", and the definition of "Adjusted EBITDA" shall apply accordingly).

"**EBITDA**" means, in respect of any period, the consolidated operating profit of the Group for that period before taxation:

(a) **before deducting** any interest, commission, fees, discounts, prepayment fees, premiums or charges and other finance payments (excluding any such payments in relation to any Excluded Finance Lease) whether accrued, paid, payable or capitalised by any Group Member (calculated on a consolidated basis) in respect of that period;

(b) **not including** any accrued interest owing to any Group Member (but **including** any investment income of the Group (as provided for or referred to in the financial statements of the Group supplied pursuant to Clause 21.1 (*Financial statements*)) that is attributable to any cash income of the Group derived from any person (that is not a Group Member) under any Lionbridge Investments or any Cash Equivalent Investment of any Group Member);

(c) **after adding back** any amount attributable to the amortisation, depreciation or impairment of assets of Group Members (and taking no account of the reversal of any previous impairment charge), **provided that** such depreciation, amortisation or impairment shall not include any depreciation, amortisation or impairment attributable to any expenses relating to any Excluded Finance Lease (to the extent that such expenses would not have been classified as depreciation, amortisation or impairment pursuant to the Accounting Principles as applied to the Base Financial Statements of the Group);

(d) **before taking into account** any Exceptional Items;

(e) **after deducting** (to the extent otherwise included) the amount of any profit of any Non-Group Entity to the extent that the amount of such profit taken into account in the determination of such consolidated operating profit of the Group before taxation for such period exceeds the amount actually received in cash (net of any applicable Taxes) by Group Members during such period through profit distributions by such Non-Group Entity;

(f) **after deducting** (to the extent otherwise included) any profit attributable to minority interest (that is, any interest of any person that is not a Group Member in any Subsidiary of the Borrower);

(g) **before taking into account** any unrealised gains or losses on any derivative instrument, including those arising on translation of currency of debt (other than any derivative instrument which is accounted for on a hedge accounting basis);

(h) **before taking into account** any gain or loss arising from an upward or downward revaluation of any other asset;

(i) **before taking into account** (to the extent otherwise deducted) any Management Fees paid to the Sponsor during that Relevant Period;

(j) **after adding back** (to the extent otherwise deducted) Transaction Costs and any other fee, commission, cost, charge or expense payable by any Group Member to a person that is not a Group Member, in each case related to any actual or attempted equity or debt offering or financing, investment (including any Joint Venture investment), Permitted Acquisition, Permitted Disposal or incurrence of Permitted Financial Indebtedness (whether or not, in each case, consummated), other than (in each case) in the ordinary course of trading;

(k) **excluding** the charge to profit (to the extent non-cash) represented by the expensing of stock options and any other share-based compensation of employees of the Group; and

(l) **taking into account** any expenses relating to any Excluded Finance Lease (to the extent that such expenses would have been taken into account pursuant to the Accounting Principles as applied to the Base Financial Statements of the Group),

to the extent otherwise added, deducted, included, taken into account or not taken into account (as the case may be) for the purposes of determining operating profits of the Group before taxation.

"**Exceptional Items**" means any exceptional, one off, non-recurring or extraordinary items.

"**Excluded Finance Lease**" means any lease or hire purchase contract which would, in accordance with the Accounting Principles in force as at the date of this Agreement, have been treated as operating lease.

"**Finance Charges**" means, for any period, the aggregate amount of the accrued interest, commission, fees, discounts, prepayment fees, premiums, charges and/or other finance payments in respect of Borrowings paid or payable in cash by, or capitalised by or in respect of, any Group Member (calculated on a consolidated basis) in respect of that period:

(a) **excluding** any upfront fees;

(b) **including** the interest (but not the capital) element of payments in respect of Finance Leases;

(c) **including** any commission, fees, discounts and other finance payments payable by (and deducting any such amounts payable to) any Group Member (to or, as the case may be, by any person that is not a Group Member) under any interest rate hedging arrangement during that period;

(d) **excluding** any interest cost or expected return on plan assets in relation to any post-employment benefit schemes;

(e) taking no account of any unrealised gains or losses on any derivative instruments other than any derivative instruments which are accounted for on a hedge accounting basis; and

(f) **excluding**, to the extent otherwise included, any capitalised interest under any New Shareholder Injections to the extent such capitalised interest constitutes Borrowings and is not paid,

and so that no amount shall be added (or deducted) more than once.

"**Finance Lease**" means any lease or hire purchase contract, or a liability under which would, in accordance with the Accounting Principles, be treated as a balance sheet liability (other than an Excluded Finance Lease).

"**Financial Half-Year**" means each semi-annual accounting period of the Group ending on or about each of 30 June and 31 December in each year.

"**Financial Quarter**" means the period commencing on the day after one Quarter Date and ending on the next Quarter Date.

"**Financial Year**" means the annual accounting period of the Group ending on or about 31 December in each year.

"**Interest Coverage Ratio**" means, in respect of any period, the ratio of Adjusted EBITDA to Finance Charges in respect of such period.

"**Leverage**" means, in respect of any period, the ratio of Total Net Debt on the last day of that period to Adjusted EBITDA in respect of that period.

"**New Shareholder Injections**" means the aggregate amount (after deducting applicable costs and Taxes) received by the Borrower from the Parent by way of subscription by the Parent after the Original Utilisation Date for ordinary shares in the Borrower or the making available by the Parent of Parent Loans to the Borrower after the Original Utilisation Date, **provided that** for the purposes of Clause 22 (*Financial covenants*) and the related definitions or any permission or usage under or in respect of the Finance Documents, New Shareholder Injections shall exclude any such amount, subscription or Parent Loans (and the proceeds relating thereto) made pursuant to Clause 22.4 (*Equity cure*) or constituting any Cure Amount (except that New Shareholder Injections shall include any such amount that constitutes a Cure Amount only for the purpose of the definition of "Acceptable Funding Sources").

"**Non-Group Entity**" means any investment or entity (which is not itself a Group Member (including associates and Joint Ventures)) in which any Group Member has an ownership interest.

"**Quarter Date**" means each of 31 March, 30 June, 30 September and 31 December.

"**Relevant Period**" means each period of 12 months ending on each Quarter Date.

"**Total Net Debt**" means, at any time, the aggregate amount of all obligations of Group Members for or in respect of Borrowings at that time (without double counting) but deducting (without duplication):

(a) the aggregate amount of Cash and Cash Equivalent Investments held by any Offshore Group Member at such time;

(b) the amount of cash collateral of Offshore Group Members securing or supporting their Borrowings at that time (including the balance of the DSRA at that time); and

(c) (for so long as the Distribution Account remains subject to Transaction Security and the Facility B Loan has not been repaid in full) the cash balance of the Distribution Account,

and so that no amount shall be included or excluded more than once.

"**Working Capital**" means, on any date, Current Assets less Current Liabilities.

22.2 **Financial condition**

The Borrower shall ensure that:

(a) *Leverage*: Leverage in respect of each Relevant Period ending on a Quarter Date specified in column 1 below ("**Test Date**") shall not exceed the ratio set out in column 2 below opposite that Relevant Period:

Column 1 Quarter Date	Column 2 Ratio
30 September 2017	3.75x
31 December 2017	3.35x
31 March 2018	3.25x
30 June 2018	3.00x
30 September 2018	2.75x
31 December 2018	2.50x
31 March 2019	2.25x
30 June 2019	2.10x
30 September 2019	1.85x
31 December 2019	1.65x
31 March 2020	1.50x
30 June 2020	1.50x
30 September 2020	1.50x
31 December 2020	1.50x
31 March 2021	1.50x
30 June 2021	1.50x
30 September 2021	1.50x
31 December 2021	1.50x
31 March 2022	1.50x
30 June 2022	1.50x
30 September 2022	1.50x

(b) *Interest Coverage Ratio*: Interest Coverage Ratio in respect of each Relevant Period ending on or after the First Test Date shall not be less than 5.00:1.00; and

(c) *Debt Service Coverage Ratio*: Debt Service Coverage Ratio in respect of each Relevant Period ending on or prior to the date that is 36 Months after the Amendment and Restatement Effective Date shall not be less than 1.10:1.00 and in respect of each Relevant Period ending thereafter shall not be less than 1.05:1.00.

22.3 **Financial testing**

(a) The financial covenants set out in Clause 22.2 (*Financial condition*) shall be calculated in accordance with the Accounting Principles and tested by reference to each of the financial statements delivered pursuant to paragraphs (a)(i), (b)(i) and (c) of Clause 21.1 (*Financial statements*) and/or each Compliance Certificate delivered pursuant to Clause 21.2 (*Provision and contents of Compliance Certificate*).

(b) The financial covenants in this Clause 22 in respect of any Relevant Period and the Adjusted EBITDA in respect of any Relevant Period shall, for all purposes in this Agreement, be calculated giving effect to following *pro forma* adjustments in respect of any Permitted Acquisition of an Acquired Entity or any Permitted Disposal of a Disposed Entity (any such Permitted Acquisition or Permitted Disposal being "**Group Initiatives**") made during such Relevant Period:

(i) Adjusted EBITDA for such Relevant Period shall be equal to EBITDA for such Relevant Period calculated to give effect the following pro forma adjustments:

(A) the aggregate earnings before interest, tax, depreciation and amortisation of such Acquired Entity (calculated on the same basis as EBITDA applying *mutatis mutandis* as if any reference in the definition of EBITDA and/or related definition to (A) the Borrower were a reference to such Acquired Entity or (B) the Group were a reference to such Acquired Entity and its Subsidiaries (if any)) for such Relevant Period (including the portion of such Relevant Period prior to the consummation of such Permitted Acquisition) shall be added;

(B) the aggregate earnings before interest, tax, depreciation and amortisation of such Disposed Entity (calculated on the same basis as EBITDA applying *mutatis mutandis* as if any reference in the definition of EBITDA and/or related definition to (A) the Borrower were a reference to such Disposed Entity or (B) the Group were a reference to such Disposed Entity and its Subsidiaries (if any)) for such Relevant Period (including the portion of such Relevant Period prior to the consummation of such Permitted Disposal) shall be excluded; and

(C) (in the case of such Permitted Acquisition of such Acquired Entity only, and subject to paragraph (d) below) reasonably expected net synergies and net cost savings reasonably expected to be obtained by the Group on a consolidated basis (as certified by the CEO or Chief Financial Officer of the Borrower) in the 18 month period immediately following the completion of such Permitted Acquisition of such Acquired Entity (to be included for the entire such Relevant Period if realisable at any time within that Relevant Period but without double counting with any such synergies or cost savings which have been actually realised) shall be added ("**Relevant Synergies**");

(ii) in the calculation of Cashflow for such Relevant Period, the cashflow of such Disposed Entity (calculated on the same basis as EBITDA applying *mutatis mutandis* as if any reference in the definition of Cashflow and/or related definition to (A) the Borrower were a reference to such Disposed Entity or (B) the Group were a reference to such Disposed Entity and its Subsidiaries (if any)) for the portion of such Relevant Period from the date on which the applicable Group Member shall have contractually committed that such cashflow of such Disposed Entity (as so calculated) is transferred to or held for the benefit of the applicable buyer of such Disposed Entity pursuant to such Permitted Disposal (including under any lock-box arrangements involving an economic transfer occurring prior to a legal transfer of such Disposed Entity but except to the extent that such cashflow of such Disposed Entity (as so calculated) is retained by any Group Member(s)) shall be excluded; and

(iii) in the calculation of Interest Coverage Ratio for such Relevant Period, Finance Charges for such Relevant Period shall be adjusted to give pro forma effect to any incurrence, assumption or repayment of Financial Indebtedness (including any reduction in Total Net Debt from the proceeds of such Permitted Disposal) arising from such Group Initiative (if a related adjustment has been made in the calculation of the Adjusted EBITDA for such Relevant Period), as if such incurrence, assumption or repayment were made as at the commencement of such Relevant Period.

(c) To the extent Leverage for any Relevant Period (including on a pro forma basis) is used as the basis (in whole or part) for determining whether any transaction is permitted under this Agreement (but excluding for the purposes of testing actual compliance with Clauses 22.2 (*Financial condition*) and 22.3 (*Financial testing*) or for determining Margin) at any time after the end of such Relevant Period, Total Net Debt as at the last day of such Relevant Period shall (for the purpose of such calculation of Leverage) be reduced to take into account any repayment of Financial Indebtedness made after the last day of such Relevant Period but on or before the relevant date of calculation and shall be increased to take into account any incurrence or assumption of Financial Indebtedness made after the last day of such Relevant Period but on or before the relevant date of calculation.

(d) In the calculation of Adjusted EBITDA for any Relevant Period, the aggregate Relevant Synergies that may be included or added (whether on account of any one or more Acquired Entity) shall not exceed an amount equal to 10 per cent. of the EBITDA for such Relevant Period (for the avoidance of doubt, such EBITDA shall be calculated without taking into account the effect of any Relevant Synergies).

(e) For the purpose of this Clause 22, no item shall be included or excluded more than once in any calculation.

(f) For the purposes of calculations under this Clause 22 in respect of any Relevant Period, where an amount is not denominated in U.S. dollars, that amount shall be converted into U.S. dollars at the exchange rate(s) on the last day of such Relevant Period (in the case of balance sheet items or items required to be determined as at the last day of such Relevant Period) and at the average exchange rate for such Relevant Period (in the case of profit and loss account items or items required to be determined over the course of such Relevant Period), as applicable, in each case used in the preparation of the applicable Annual Financial Statements, Semi-Annual Financial Statements and/or Quarterly Financial Statements delivered under this Agreement in relation to such Relevant Period.

(g) If the First Test Date has elapsed prior to the Amendment and Restatement Effective Date, the requirements under Clause 22.2 (*Financial condition*) shall nonetheless apply to the Relevant Period ending on the First Test Date and shall be tested with respect of such Relevant Period.

22.4 **Equity cure**

(a) If any of the requirements of the financial covenants in paragraphs (a) to (c) of Clause 22.2 (*Financial condition*) are not complied with (or would but for this Clause 22.4 not be complied with) in respect of a Relevant Period (a "**Breach Period**"), but

(i) after the expiry of such Breach Period and on or prior to the date falling 20 Business Days after the date on which the Compliance Certificate relating to the relevant Quarterly Financial Statements, Semi-Annual Financial Statements and/or Annual Financial Statements (as applicable) for a period ending on the last day of that Breach Period is delivered (or, if earlier, is due to be delivered) to the Facility Agent under paragraph (a) of Clause 21.2 (*Provision and contents of Compliance Certificate*) (the "**Cure Date**") a New Shareholder Injection is made available to the Borrower (the proceeds of such New Shareholder Injection so received by the Borrower in cash, after deducting all fees, costs, expenses and/or Taxes incurred therewith, being the "**Cure Amount**");

(ii) the Borrower has elected to apply such Cure Amount to cure the breach of such requirements under paragraphs (a) to (c) of Clause 22.2 (*Financial condition*) for such Breach Period pursuant to paragraphs (b) and (c) below; and

(iii) such Cure Amount is sufficient to cure the breach of such requirements under paragraphs (a) to (c) of Clause 22.2 (*Financial condition*) for such Breach Period (as determined in accordance with paragraph (c)),

then, if, after giving effect to the adjustments under paragraph (c) below, the requirements of the financial covenants in paragraphs (a) to (c) of Clause 22.2 (*Financial condition*) are met in respect of such Breach Period, such requirements shall be deemed to have been satisfied as at the original date of determination of such financial covenants for such Breach Period as though there had been no failure to comply with such financial covenants under paragraphs (a) to (c) of Clause 22.2 (*Financial condition*) for such Breach Period and any Default or Event of Default occasioned thereby shall be deemed to have been remedied for all purposes under the Finance Documents.

(b) Paragraph (a) above will only apply in respect of a Breach Period if each of the following conditions is satisfied:

(i) the Borrower delivers to the Facility Agent a certificate within 20 Business Days after the date on which the relevant Compliance Certificate referred to in paragraph (a) above was (or, if earlier, was due to be delivered) delivered in respect of such Breach Period electing to apply the amount of such Cure Amount so received by the Borrower in accordance with paragraph (c) below for that Breach Period;

(ii) such certificate certifies the aggregate amount of such Cure Amount so received by the Borrower, and is signed by the Chief Financial Officer or a director of the Borrower;

(iii) such certificate shall be accompanied by a revised Compliance Certificate in respect of such Breach Period setting out calculations in reasonable detail indicating compliance with the financial covenants in paragraphs (a) to (c) of Clause 22.2 (*Financial condition*) in respect of such Breach Period after taking into account the amount of such Cure Amount so received and the effect of paragraph (c);

(iv) the Borrower may not make any such election:

(A) more than once in respect of any Relevant Period;

(B) more than four times over the life of the Facility; or

(C) in respect of consecutive Relevant Periods; and

(v) such Cure Amount must be received in cash by the Borrower on or before such Cure Date.

(c) The Borrower may only elect to apply the amount of such Cure Amount towards curing the non-compliance of the financial covenants under paragraphs (a) to (c) of Clause 22.2 (*Financial condition*) by:

(i) for the purpose of calculating Leverage and Interest Coverage Ratio for such Breach Period, adding such Cure Amount to EBITDA of the Group for such Breach Period (and, for the avoidance of doubt, Total Net Debt as at the last day of such Breach Period shall not be deemed to be decreased by reference to such Cure Amount); and

(ii) for the purposes of calculating the Debt Service Coverage Ratio for such Breach Period, adding the amount of such Cure Amount to the Cashflow in respect of such Breach Period (and, for the avoidance of doubt, Debt Service in respect of such Breach Period shall not be deemed to be decreased by reference to such Cure Amount).

(d) Where (A) a Cure Amount is received by the Borrower and applied to cure any financial undertakings under Clause 22.2 (*Financial condition*) in respect of any Breach Period, (B) the Borrower has notified the Facility Agent upon receipt of such Cure Amount that it intends to apply such Cure Amount in accordance with this paragraph (d) and (C) the Borrower has deposited that Cure Amount into the Cure Amount Account prior to the Test Date that immediately follows the last day of such Breach Period and has notified the Facility Agent at the time of such deposit that such deposit is made on account of such Cure Amount for such Breach Period, then for the purposes of calculating the financial undertakings in Clause 22.2 (*Financial condition*) for any Relevant Period that ends after that Breach Period and which overlaps with the Test Date falling on the last day of such Breach Period in respect of which such Cure Amount was applied (such Relevant Period being a "**Subsequent Relevant Period"**), such Cure Amount shall be included in all calculations of the financial undertakings in Clause 22.2 (*Financial condition*) as if such Cure Amount had been added to (for the purposes of Leverage and the Interest Coverage Ratio) the EBITDA of the Group for that Subsequent Relevant Period or (for the purposes of the Debt Service Coverage Ratio) the Cashflow of the Group for that Subsequent Relevant Period **provided that** no double counting should be permitted and:

(i) to the extent that any Cure Amount is subsequently applied in prepayment of any Borrowings at any time during any such Subsequent Relevant Period shall not be added to EBITDA or Cashflow for any such Subsequent Relevant Period;

(ii) to the extent that any Cure Amount is standing to the credit of the Cure Amount Account as at the last day of any such Subsequent Relevant Period, such amount shall not be taken into account or included in any of paragraphs (a) to (c) of the definition of "Total Net Debt" for the purpose of calculating Leverage in respect of any such Subsequent Relevant Period; and

(iii) to the extent that any Cure Amount is withdrawn, transferred or applied from the Cure Amount Account for payment to any Group Member or payment or transfer into any account of any Group Member at any time during any such Subsequent Relevant Period (1) such Cure Amount shall not be added to EBITDA for any Subsequent Relevant Period (that ends on or after the date of such withdrawal, transfer or application) pursuant to this paragraph (d) and (2) (for the avoidance of doubt) the amount so withdrawn, transferred or applied in favour of a Group Member shall not be excluded in the calculation of Cash as at the end of any Subsequent Relevant Period (that ends on or after the date of such withdrawal, transfer or application) for the purposes of the definition of "Total Net Debt", in each case, for the purpose of calculating Leverage in respect of any such Subsequent Relevant Period.

(e) The application or addition of any Cure Amount, or the inclusion of any Cure Amount in the calculation of any financial undertakings in Clause 22.2 (*Financial condition*), pursuant to paragraphs (a) to (d) shall be solely for the purposes of ascertaining compliance with the financial undertakings in Clause 22.2 (*Financial condition*) in respect of the applicable Breach Period (as re-calculated) or Subsequent Relevant Period and not for the purposes of determining the Margin or any Permitted Acquisition or any other permission or usage under or in respect of the Finance Documents or any other purpose.

(f) Any Cure Amount received by the Borrower in accordance with this Clause 22.4 may exceed the amount required to rectify any breach or non-compliance with the financial undertakings in Clause 22.2 (*Financial condition*) in respect of any Breach Period. Such Cure Amount may be retained by the Group and may be applied as the Borrower shall determine in its sole discretion, including working capital or operating expenditure of the Group or as an Acceptable Funding Source, but may not be applied to fund any Permitted Distribution to any person that is not a Group Member.

22.5 **Deemed remedy of financial covenants**

If, on any Test Date or in relation to any Relevant Period ending on a Test Date, the Borrower fails to comply with a requirement of Clause 22.2 (*Financial condition*), but on a subsequent Test Date or in relation to a Relevant Period ending on a subsequent Test Date, the Borrower does comply with that requirement, any non-compliance with such requirement on such first-mentioned Test Date or in relation to such first-mentioned Relevant Period shall be deemed to be waived and remedied for all purposes under the Finance Documents (and shall no longer constitute a Default) unless an Acceleration Event has occurred prior to the delivery of the financial statements of the Group for the period ending on such subsequent Test Date and the accompanying Compliance Certificate to the Facility Agent in accordance with this Agreement.

23. GENERAL UNDERTAKINGS

The undertakings in this Clause 23 remain in force from the date Amendment and Restatement Effective Date for so long as any amount is outstanding under the Finance Documents or any Commitment in respect of any Facility (or any commitment represented thereby) is in force.

Authorisations and compliance with laws

23.1 **Authorisations**

Each Obligor shall (and the Borrower shall ensure that each Group Member will) promptly:

(a) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(b) upon the Facility Agent's request, supply certified copies to the Facility Agent of:

any Authorisation required under any law or regulation of a Relevant Jurisdiction to:

(i) enable it to perform its obligations under any or all of the Finance Documents to which it is a party;

(ii) ensure the legality, validity, enforceability or admissibility in evidence of any Finance Document including the obtaining of any Authorisations contemplated by (and in accordance with) the Perfection Requirements; and

(iii) carry on its business where failure to do so has or would reasonably be expected to have a Material Adverse Effect.

23.2 **Compliance with laws**

(a) Each Obligor shall (and the Borrower shall ensure that each Group Member will) comply in all respects with all laws to which it may be subject (including SAFE Rules) if failure so to comply has or would reasonably be expected to have a Material Adverse Effect.

(b) Each Obligor shall (and the Borrower shall ensure that each other Group Member will) comply in all respects, and conduct its business in compliance, with all Anti-Money Laundering Laws. No Obligor shall (and the Borrower shall ensure that no Group Member will) directly or indirectly use any of the proceeds of any Facility for any purpose which would breach, or would cause any Finance Party, any Total Transaction Obligor or any Group Member to be in breach of, any Anti-Money Laundering Laws.

23.3 **Environmental compliance**

Each Obligor shall (and the Borrower shall ensure that each Group Member will):

(a) comply with all Environmental Law;

(b) obtain, maintain and ensure compliance with all requisite Environmental Permits; and

(c) implement procedures to monitor compliance with and to prevent liability under any Environmental Law,

where failure to do so has or could reasonably be expected to have a Material Adverse Effect.

23.4 **Taxation**

(a) Each Obligor shall (and the Borrower shall ensure that each Group Member will) pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

(i) such payment is being contested in good faith;

(ii) adequate reserves are being maintained for those Taxes and the costs required to contest them; and

(iii) failure to pay those Taxes does not have and would not reasonably be expected to have a Material Adverse Effect.

(b) No Obligor shall (and the Borrower shall ensure that no Group Member will) change its residence for Tax purposes.

Restrictions on business focus

23.5 **Merger**

No Obligor shall (and the Borrower shall ensure that no other Group Member will) enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction other than a Permitted Transaction.

23.6 **Change of business**

The Borrower shall procure that no substantial change is made to the general nature of the business of the Group taken as a whole from that carried on by the Group at the Amendment and Restatement Date.

23.7 **Acquisitions and investments**

(a) Except as permitted under paragraph (b) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will):

(i) acquire a company, corporation or other legal entity or any shares or Equity Interests or securities or a business or undertaking (or, in each case, any interest in any of them); or

(ii) incorporate a company, corporation or other legal entity; or

(iii) make, or acquire any interest in, any financial investment (whether in debt or equity securities or other investment products).

(b) Paragraph (a) above does not apply to an acquisition of a company, corporation or other legal entity, shares, Equity Interests, securities or a business or undertaking (or, in each case, any interest in any of them) or the incorporation of a company, corporation or legal entity which is:

(i) a Permitted Acquisition; or

(ii) a Permitted Transaction.

23.8 **Joint Ventures**

(a) No Obligor shall (and the Borrower shall ensure that no other Group Member will):

(i) enter into, invest in or acquire (or agree to acquire) any shares, Equity Interests, stocks, securities or other interest in any Joint Venture; or

(ii) transfer any assets or lend to or guarantee or give an indemnity for or give Security or Quasi-Security for the obligations of a Joint Venture or maintain the solvency of or provide working capital to any Joint Venture (or agree to do any of the foregoing).

(b) Paragraph (a) above shall not apply to a Permitted Transaction or a Permitted Acquisition.

23.9 **Holding Companies**

None of the Borrower, the HK Guarantor or the Cayman Guarantor (and each Obligor shall procure that the Parent shall not) shall trade, carry on any business, own any assets or incur any liabilities, indebtedness or commitments (whether actual or contingent) except for:

(a) the provision and purchase of management, legal, accounting and administrative services (excluding treasury services) to other Group Members of a type customarily provided by a Holding Company to its Subsidiaries and any rights or liabilities in connection therewith;

(b) ownership of Equity Interests in Group Members, and credit balances in bank accounts, Cash and Cash Equivalent Investments, insurance policies and (in the case of the Cayman Guarantor and HK Guarantor) Intellectual Property;

(c) intra-Group debit balances and intra-Group credit balances;

(d) (in the case of the Borrower) any Financial Indebtedness incurred under any Parent Loan or (in the case of the Parent) ownership of rights in respect of any Parent Loan;

(e) (in the case of the Parent) any Financial Indebtedness constituted by (i) Subordinated Liabilities (as defined in the Security Trust Agreement) or (ii) any Permitted Loan made by the Borrower in favour of the Parent;

(f) any rights and obligations (including any performance or enforcement thereof) under the Transaction Documents to which it is a party;

(g) incurring any liabilities for Taxes, professional fees and administration costs in the ordinary course of business as a Holding Company and any liabilities arising by operation of law in the ordinary course of its business as a Holding Company (which liabilities do not arise as a result of any default or omission any Transaction Obligor or Group Member);

(h) making any Permitted Loan, Permitted Acquisition or Permitted Disposal, granting Permitted Security, incurring any Permitted Financial Indebtedness, making or benefiting from any Permitted Guarantee, and making, facilitating or receiving any Permitted Share Issue or Permitted Distribution;

(i) entering into a Permitted Transaction or a Permitted Hedging Transaction;

(j) non-trading administrative activities desirable to maintain its tax status **provided that** such activities do not involve or result in any incurrence of any material liabilities;

(k) compliance with reporting and other similar obligations under any applicable laws; and

(l) any liabilities in (i) any mandate and commitment letters entered into in respect of any Flotation, Permitted Acquisition or Permitted Disposal (in each case) to be made by it or (ii) any underwriting or other customary agreement entered into in connection with any Flotation to be made by it, in each case under (i) or (ii), to the extent not otherwise prohibited by this Agreement.

23.10 **Pari passu ranking**

Each Obligor shall ensure that at all times any unsecured and unsubordinated claims of a Finance Party or Hedge Counterparty against it under the Finance Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to companies.

23.11 **Negative pledge**

In this Clause 23.11, "**Quasi-Security**" means an arrangement or transaction described in paragraph (b) below.

(a) Except as permitted under paragraph (c) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will) create or permit to subsist any Security over any of its assets.

(b) Except as permitted under paragraph (c) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will):

(i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by any Transaction Obligor or any Group Member;

(ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(iii) enter into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or

(iv) enter into any other preferential arrangement having a similar effect,

in circumstances where such arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

(c) Paragraphs (a) and (b) above do not apply to any Security or (as the case may be) Quasi-Security, which is:

(i) Permitted Security; or

(ii) a Permitted Transaction.

23.12 **Disposals**

(a) Except as permitted under paragraph (b) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.

(b) Paragraph (a) above does not apply to any sale, lease, transfer or other disposal which is:

(i) a Permitted Disposal; or

(ii) a Permitted Transaction.

23.13 **Arm's length basis**

(a) Except as permitted by paragraph (b) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will) enter into any transaction with any person except on arm's length terms.

(b) The following transactions shall not be a breach of this Clause 23.13:

(i) any transaction between (A) two or more Group Members (none of which is a Future Target Group Member) or (B) two or more Group Members (each of which is a Future Target Group Member) or (C) a Group Member (that is not a Future Target Group Member) and a Future Target Group Member provided that (in the case of (C)) such transaction is on terms that are no less favourable to such Group Member (that is not a Future Target Group Member) than arm's length terms;

(ii) fees, costs and expenses payable under the Transaction Documents in the amounts set out in the Transaction Documents delivered to the Facility Agent under Clause 4.1 (*Initial conditions precedent*) or agreed by the Facility Agent; and

(iii) any Permitted Distribution or Permitted Transaction.

Restrictions on movement of cash – cash out

23.14 **Loans or credit**

(a) Except as permitted under paragraph (b) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will) be a creditor in respect of any Financial Indebtedness.

(b) Paragraph (a) above does not apply to:

(i) a Permitted Loan; or

(ii) a Permitted Transaction.

23.15 **No Guarantees or indemnities**

(a) Except as permitted under paragraph (b) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will) incur or allow to remain outstanding any guarantee in respect of any obligation of any person.

(b) Paragraph (a) above does not apply to a guarantee which is:

(i) a Permitted Guarantee; or

(ii) a Permitted Transaction.

23.16 **Dividends and share redemption**

(a) Except as permitted under paragraph (b) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will) declare or make any Distribution.

(b) Paragraph (a) above does not apply to:

(i) a Permitted Distribution; or

(ii) a Permitted Transaction (other than one referred to in paragraph (e) of the definition of "Permitted Transaction").

23.17 **Dividends, fee payments and Proceeds Accounts**

(a) Each Obligor shall ensure that each Onshore Group Member shall pay all of the Licence and Consultancy Fees owed or payable by it to the applicable Group Member (that is not a VIE Group Member) in accordance with the terms of the VIE Contracts promptly and in any event on or prior to the last day of the fiscal quarter occurring after the calendar year in which such Licence and Consultancy Fees have accrued, are incurred or are payable.

(b) Each Obligor shall (and the Borrower shall procure that each other Group Member will) ensure that any and all Onshore Distributions and any and all payments of Licence and Consultancy Fees by any Onshore Group Member to (or to the order of) any or all of the Offshore Group Members, after deducting any applicable PRC withholding tax, shall be deposited into one or more (A) Designated Proceeds Accounts (HSBC) and/or (B) Proceeds Accounts.

(c) Without prejudice to the rights of the Security Agent under the Transaction Security Documents:

(i) none of the amounts standing to the credit of any of the Designated Proceeds Accounts (HSBC) shall be withdrawn, transferred or applied other than:

(A) any transfer of such amounts directly into one or more of the Proceeds Accounts;

(B) for payment of operating expenses; and/or

(C) (at any time prior to the establishment of any Proceeds Account) for any application towards any purpose not otherwise restricted under any Finance Document; and

(ii) (with effect from the establishment of any Proceeds Account) upon the deposit or transfer of any amount into any Designated Proceeds Account (HSBC), each Obligor shall ensure that all of the amounts standing to the credit of such Designated Proceeds Account (HSBC) shall, promptly (and in any event within three Business Days of such deposit or transfer), be transferred into one or more of the Proceeds Accounts, except that (A) the applicable Group Member (that is the holder of such Designated Proceeds Account (HSBC)) may retain in such Designated Proceeds Account (HSBC) amounts reasonably determined by such Group Member to be required to be applied towards payment of operating expenses of the Group and (B) upon the establishment of any Proceeds Account, any and all amounts then standing to the credit of any Designated Proceeds Account (HSBC) shall be deemed to have been deposited in such Designated Proceeds Account (HSBC) on the date of such establishment, and shall be applied accordingly in accordance with this paragraph (ii); and

(iii) for the avoidance of doubt, at any time prior to the occurrence of an Acceleration Event, the Borrower may make withdrawals from the Proceeds Account(s) for purposes not restricted under the Finance Documents.

(d) Each Obligor shall ensure that each other Offshore Group Member (to which any Onshore Distributions or Licence and Consultancy Fees are to be made or paid after the date of this Agreement) shall have established a Proceeds Account (and such Proceeds Account shall have been made subject to Transaction Security pursuant to Transaction Security Documents in agreed form or otherwise in form and substance satisfactory to the Facility Agent (acting reasonably)) prior to the first time when any Onshore Distributions or Licence and Consultancy Fees are made or paid to such Offshore Group Member.

(e) If any Advance Management Fees are paid pursuant to paragraph (g) of the definition of "Permitted Distribution" but the Listco Flotation Date does not occur within 12 Months after such payment, each Obligor shall ensure that the refund of such Advance Management Fees contemplated under paragraph (g) of the definition of "Permitted Distribution" is promptly made.

23.18 **Subordinated Loans**

(a) Except as permitted under paragraph (b) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will):

(i) repay or prepay any principal amount (or capitalised interest) outstanding under any ParentCo Liabilities or Subordinated Liabilities (each as defined in the Security Trust Agreement);

(ii) pay any interest, fee, charge or other amount payable, accrued or due in connection with any ParentCo Liabilities or Subordinated Liabilities (each as defined in the Security Trust Agreement); or

(iii) purchase, redeem, defease or discharge any amount outstanding with respect to any ParentCo Liabilities or Subordinated Liabilities (each as defined in the Security Trust Agreement).

(b) Paragraph (a) above does not apply to a payment, repayment, prepayment, purchase, redemption, defeasance or discharge which is a Permitted Distribution or is otherwise permitted under the Security Trust Agreement.

Restrictions on movement of cash – cash in

23.19 **Financial Indebtedness**

(a) Except as permitted under paragraph (b) below, no Obligor shall (and the Borrower shall ensure that no other Group Member will) incur or allow to remain outstanding any Financial Indebtedness.

(b) Paragraph (a) above does not apply to Financial Indebtedness which is:

(i) Permitted Financial Indebtedness; or

(ii) a Permitted Transaction.

23.20 **Share capital**

(a) No Obligor shall (and the Borrower shall ensure that no other Group Member will) issue any Equity Interests except pursuant to:

(i) a Permitted Share Issue; or

(ii) a Permitted Transaction.

(b) Subject to mandatory requirements of applicable law, no Obligor shall (and the Borrower shall ensure that no Group Member will) at any time enter into or be party to any agreement or arrangement that would restrict the ability of a Group Member (other than the Borrower) to declare or pay:

(i) dividends or distributions to the holders of its Equity Interests; or

(ii) (in the case of any Onshore Group Member) any Onshore Distributions or Licence and Consultancy Fees,

other than (A) restrictions in the Finance Documents and (B) restrictions in the VIE Contracts against the declaration or pay out of any dividends or distributions by any VIE Group Member in favour of any VIE Nominee.

(c) Each Obligor shall ensure that no Onshore Group Member shall increase the amount of its statutory reserve requirements or the ratio of retained earnings to be contributed towards statutory reserves under its article of associations, except as required under mandatory provisions of applicable laws of the PRC.

Miscellaneous

23.21 **Insurance**

Each Obligor shall (and the Borrower shall ensure that each other Group Member will) maintain insurances on and in relation to its business and assets against those material risks and to the extent as is usual for companies carrying on the same or substantially similar business, and ensure that all such insurances must be with reputable independent insurance companies or underwriters.

23.22 **Access**

If a Default is continuing (or the Facility Agent or the Security Agent reasonably suspects a Default has occurred and is continuing), each Obligor shall, and the Borrower shall ensure that each Group Member will, permit each of the Facility Agent and/or the Security Agent and/or accountants and/or other professional advisers and/or contractors of the Facility Agent or Security Agent free access at reasonable times during regular business hours and on reasonable notice at the risk and cost of the Borrower to (a) the premises, assets, books, accounts and records of each Obligor and each Group Member and (b) meet and discuss matters with senior management of each Obligor and each Group Member.

23.23 **Intellectual Property**

Each Obligor shall (and the Borrower shall procure that each other Group Member will):

(a) preserve and maintain the subsistence and validity of any and all Intellectual Property necessary for the business and/or activities of any Transaction Obligor or any Group Member where failure to do so has or would reasonably be expected to have a Material Adverse Effect ("**Relevant Intellectual Property**") (including with respect to any Relevant Intellectual Property that is not owned by it, ensuring that it has valid licences of such Relevant Intellectual Property); and

(b) in respect of any Relevant Intellectual Property:

(i) use reasonable endeavours to prevent any infringement in any material respect of such Relevant Intellectual Property;

(ii) make registrations and pay all registration fees and Taxes necessary to maintain such Relevant Intellectual Property in full force and effect and record its interest in such Relevant Intellectual Property;

(iii) not use or permit such Relevant Intellectual Property to be used in a way or take any step or omit to take any step in respect of such Relevant Intellectual Property which may materially and adversely affect the existence or value of such Relevant Intellectual Property or imperil the right to use such property; and

(iv) not discontinue the use of the Relevant Intellectual Property.

23.24 **Treasury Transactions**

No Obligor shall (and the Borrower shall procure that no other Group Member will) enter into any Treasury Transaction, other than any Permitted Hedging Transaction.

23.25 **Further assurance**

(a) Each Obligor shall (and the Borrower shall procure that each other Total Transaction Obligor and other Group Member will) promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Security Agent may reasonably specify having regard to the rights and restrictions in the Finance Documents (and in such form as the Security Agent may reasonably require in favour of the Security Agent or its nominee(s)):

(i) to perfect the Security created or intended to be created under or evidenced by the Transaction Security Documents (which may include the execution of a mortgage, charge, assignment or other Security over all or any of the assets which are, or are intended to be, the subject of the Transaction Security) or for the exercise of any rights, powers and remedies of the Security Agent or the Finance Parties provided by or pursuant to the Finance Documents or by law;

(ii) (in the case of a Transaction Obligor or Group Member) to confer on the Security Agent or confer on the Finance Parties and/or Secured Parties Security over any property and assets of that Obligor located in any jurisdiction equivalent or similar to the Security intended to be conferred by or pursuant to the Transaction Security Documents; and/or

(iii) upon and after any Transaction Security becoming enforceable, to facilitate the realisation of the assets which are, or are intended to be, the subject of such Transaction Security.

(b) Each Obligor shall (and the Borrower shall procure that each other Total Transaction Obligor and other Group Member will) take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Agent or the Finance Parties by or pursuant to the Finance Documents.

(c) In respect of any Transaction Security Document executed after the Amendment and Restatement Effective Date, each Obligor shall ensure that there shall be delivered to the Facility Agent, promptly upon such execution, all of the documents and evidence specified in Part III of Schedule 2 (*Conditions Precedent*) with respect to such Transaction Security Document and each Total Transaction Obligor party to such Transaction Security Document (each in form and substance satisfactory to the Facility Agent, acting reasonably).

23.26 **VIE Contracts**

(a) Each Obligor shall (and shall procure that each Group Member shall) promptly pay all amounts payable under the VIE Contracts as and when they become due.

(b) Without prejudice to paragraph (a) above, each Obligor (that is not a VIE Group Member) shall take (or procure to be taken) all reasonable and practical steps to preserve the rights and remedies of each Group Member (that is not a VIE Group Member) under or in connection with, and pursue any claims arising under, any or all of the VIE Contracts.

(c) The Borrower shall not (and the Borrower shall procure that no other Group Member will) without the prior written consent of the Facility Agent (acting on the instructions of the Majority Lenders):

(i) make or agree to any amendment or variation of or supplement to any provision of any of the VIE Contracts;

(ii) (subject to paragraph (f) below) terminate or not renew or agree to terminate or not renew any of the VIE Contracts; or

(iii) grant or agree to any waiver of any of its rights or remedies under or in connection with any of the VIE Contracts or grant any consent under any of the VIE Contracts,

provided that (in each case under (i) or (iii)) such amendment, variation, supplement, waiver or consent is or would reasonably be expected to be materially adverse to the interests of the Finance Parties.

(d) The Borrower shall as soon as reasonably practicable notify the Facility Agent in writing upon the occurrence of any event or circumstance specified in paragraphs (c)(i) to (c)(iii) above.

(e) No Obligor shall (and the Borrower shall procure that no other Group Member will):

(i) assign, transfer, novate or otherwise dispose of any or all of its rights and/or obligations under any of the VIE Contracts, except for any assignment constituted by the creation of any Transaction Security; or

(ii) enter into or be party to any VIE Structure Document (other than those subsisting as at the date of this Agreement) or any other arrangement, instrument or agreement that constitutes, or forms part of, any contractual arrangements enabling a Group Member to exercise Control over any person (the Equity Interests in which are not beneficially owned by such Group Member) or consolidate the financial condition or results of operation of any person (the Equity Interests in which are not beneficially owned by such Group Member) for the purposes of the consolidated financial statements of the Group or any Group Member, except for the entry into of VIE Structure Documents in replacement of existing VIE Structure Documents upon a VIE Nominee Transfer as contemplated by the VIE Nominee Transfer Conditions.

(f) If any VIE Contract is due to expire or expires, each Obligor party to such VIE Contract shall (and the Borrower shall procure that each relevant Group Member party to such VIE Contract shall) ensure that such VIE Contract is renewed on, or replaced with another VIE Contract with, substantially the same terms no later than the time when such first-mentioned VIE Contract is otherwise due to expire or (only in the case of a Licence Document) ensure that such Licence Document is renewed on, or replaced with another Licence Document with, substantially the same terms promptly and in any case within 30 days of the date on such Licence Document expires.

(g) The Borrower shall ensure that no Group Member or Transaction Obligor will (except with the prior written consent of the Facility Agent acting on the instructions of the Majority Lenders) amend, vary, novate, supplement, supersede, waive or terminate any of the Constitutional Documents of any VIE Group Member over whose shares any security under any VIE Entity Equity Pledge is purported to be granted, where (in the case of any such amendment, variation, superseding, supplement or waiver) such amendment, variation, superseding, supplement or waiver would reasonably be expected to be materially adverse to the interests of the Finance Parties or any enforcement of any VIE Entity Equity Pledge. The Borrower shall promptly supply to the Facility Agent a copy of any amendment, variation, novation, supplement, superseding, waiver or termination of or to any such Constitutional Documents.

(h) After the occurrence of any Subsequent VIE Nominee Transfer, the Borrower shall promptly notify the Facility Agent of the same and provide to the Facility Agent copies of the VIE Structure Documents entered into pursuant to or as contemplated by paragraphs (b)(i) to (iii) of the definition of "VIE Nominee Transfer Conditions") and (after completion of the relevant recordation or registration) evidence of any recordation or registration pursuant to or as contemplated by paragraph (b)(iii) of the definition of "VIE Nominee Transfer Conditions".

23.27 **DSRA and Distribution Account**

(a) The Borrower shall ensure that, at all times with effect from the Amendment and Restatement Effective Date and for so long as any Loan (or any part thereof) is outstanding (each a "**DSRA Determination Time**"), the aggregate balance standing to the credit of the DSRA is not less than the DSRA Minimum Balance as at such DSRA Determination Time.

(b) Without prejudice to the rights of the Security Agent under the Transaction Security Documents:

(i) each Obligor shall (and the Borrower shall procure that each other Group Member will) ensure that none of the amounts standing to the credit of the DSRA shall be withdrawn, transferred or applied by the Borrower except pursuant to paragraph (ii) below; and

(ii) **provided that** (1) paragraph (a) would be complied with after such application and (2) no Event of Default is or would be continuing after such application, the Borrower may direct the Security Agent (after having supplied, or procured the supply of, such documentation and other evidence to the Security Agent reasonably satisfactory to it that the conditions set out in the foregoing (1) and (2) are and will be satisfied) to:

(A) transfer amounts standing to the credit of the DSRA to pay principal and/or interest then due and payable under this Agreement (**provided further that** all of such amounts are directly paid to the Facility Agent for such application) and the Security Agent irrevocably agrees to give effect to such transfer of such amounts standing to the credit of the DSRA in payment of such principal and/or interest then due and payable under this Agreement; or

(B) (upon the payment of the proceeds of the Facility B Loan into the DSRA pursuant to Clause 3.1 (*Purpose*)) transfer the amount of such proceeds of the Facility B Loan so paid into the DSRA from the DSRA to the Distribution Account (provided further that the aggregate amount transferred or to be transferred pursuant to this paragraph (B) shall not exceed the amount of the proceeds of the Facility B Loan so paid into the DSRA) and the Security Agent irrevocably agrees to give effect to such transfer of such amount from the DSRA to the Distribution Account.

(c) Notwithstanding and without limitation to the Borrower's obligations under paragraphs (a) and (b) above and the rights of the Security Agent under the Transaction Security Documents, the Borrower irrevocably authorises each of the Facility Agent and the Security Agent (but, except as provided in paragraph (b)(ii) above, neither the Facility Agent nor the Security Agent shall be obliged) to, at any time upon or after the occurrence of an Acceleration Event, apply the moneys standing to the credit of the DSRA towards payment or repayment of any amount of principal or interest outstanding under this Agreement then due and unpaid. The Facility Agent or the Security Agent (as the case may be) must notify the Borrower of any such withdrawal as soon as reasonably practicable upon such withdrawal.

(d) Where the Borrower is permitted to make a withdrawal from the DSRA pursuant to paragraph (b)(ii) above, the Facility Agent shall, as soon as reasonably practicable following an application from the Borrower to do so, notify the Security Agent that such withdrawal is so permitted.

(e) The Borrower shall ensure that all of the proceeds of the Facility B Loan shall first be directly paid into the DSRA and then promptly transferred from the DSRA to the Distribution Account in accordance with paragraph (b)(ii)(B).

(f) Without prejudice to the rights of the Security Agent under the Transaction Security Documents, each Obligor shall ensure that none of the amounts standing to the credit of the Distribution Account shall be withdrawn, transferred or applied by the Distribution Account Holder except that:

(i) when (A) the Listco IPO has occurred and (B) the Facility B Loan has been repaid in full (out of Flotation Proceeds) together with accrued interest and Break Costs (if any), the Security Agent shall authorise any withdrawal of the proceeds of the Facility B Loan standing to the credit of the Distribution Account in favour of the Distribution Account Holder; and/or

(ii) the Distribution Account Holder may direct the Security Agent to transfer amounts standing to the credit of the Distribution Account to repay or prepay the outstanding principal amount of the Facility B Loan (**provided that** all of such amounts are directly paid to the Facility Agent for application towards such repayment or prepayment of the Facility B Loan) and the Security Agent shall give effect to such transfer of such amounts standing to the credit of the Distribution Account in repayment or prepayment of the Facility B Loan.

23.28 **Cure Amount Account**

(a) The Borrower shall ensure that a segregated bank account of the Borrower for the purposes of receiving and holding Cure Amounts (the "**Cure Amount Account**") is established prior to the first time when the Borrower elects to exercise any of its rights under paragraph (d) of Clause 22.4 (*Equity cure*) and that all Cure Amounts which are to be applied in accordance with paragraph (d) of Clause 22.4 (*Equity cure*) to a Subsequent Relevant Period are directly paid into the Cure Amount Account.

(b) The Borrower shall be free to withdraw, transfer or apply amounts standing to the credit of the Cure Amount Account in its discretion provided that any amount so withdrawn, transferred or applied is:

(i) applied towards prepayment of any Loan, and such amount is directly transferred from the Cure Amount Account to the Facility Agent for the purposes of such prepayment;

(ii) applied towards payment by any Group Member of any amount owing by such Group Member to any third party (that is not a Group Member) in respect of any transaction permitted under the Finance Documents (excluding any Permitted Distribution), provided that such amount is directly transferred from the Cure Amount Account to such third party; or

(iii) transferred into an account of any Group Member,

and details of such withdrawal, transfer or application are included in the Compliance Certificate delivered upon or after such withdrawal, transfer or application. For the avoidance of doubt, paragraphs (d)(i) and (iii) of Clause 22.4 (*Equity cure*) shall apply to any withdrawal, transfer or application pursuant to paragraph (b)(i) or (iii) above.

(c) Any application of any amount standing to the credit of the Cure Amount Account shall be deemed to constitute an application of the Cure Amount(s) that have been paid into the Cure Amount Account in chronological order of payment of such Cure Amount(s) into the Cure Amount Account.

23.29 **Conditions subsequent**

The Borrower shall, and shall procure that WOFE Guarantor shall:

(a) promptly, and in any event within 15 PRC Business Days of the date of execution of the Guarantee (WOFE Guarantor) Amendment, submit an application to SAFE for the Nei Bao Wai Dai Transaction registration of the Guarantee (WOFE Guarantor) and the Guarantee (WOFE Guarantor) Amendment (the "**SAFE Application Date**") (together with the submission of all requisite supporting documents and the payment of any associated fees or charges (if applicable)) in accordance with the applicable PRC laws and regulations (including the SAFE regulations); and

(b) within 180 days of the SAFE Application Date, deliver to the Facility Agent evidence that the Guarantee (WOFE Guarantor) and the Guarantee (WOFE Guarantor) Amendment have been registered with SAFE.

24. EVENTS OF DEFAULT

Each of the events or circumstances set out in this Clause 24 is an Event of Default (save for Clause 24.19 (*Acceleration*) and Clause 24.20 (*Clean-Up Period*)).

24.1 Non-payment

Any Total Transaction Obligor does not pay by the due date any amount payable pursuant to a Finance Document at the place at and in the currency in which it is expressed to be payable unless such failure to pay is caused by administrative or technical error and payment is made within three Business Days of its due date.

24.2 Financial covenants

Subject to Clause 22.4 (*Equity cure*), any requirement of Clause 22 (*Financial covenants*) is not satisfied.

24.3 Other obligations

(a) Any Total Transaction Obligor does not comply with any provision of the Finance Documents to which it is a party (other than those referred to in Clause 24.1 (*Non-payment*), Clause 24.2 (*Financial covenants*) or paragraph (b) below)) unless such failure to comply is capable of remedy and is remedied within 20 Business Days of the earlier of (A) the Facility Agent giving written notice of such failure to comply to the Borrower or such Total Transaction Obligor and (B) the Borrower or a Total Transaction Obligor becoming aware of such failure to comply; or

(b) any Transaction Obligor does not comply with any provision of:

(i) Clause 23.27 (*DSRA and Distribution Account*) unless such failure to comply is capable of remedy and is remedied within 10 Business Days of the earlier of (A) the Facility Agent giving written notice of such failure to comply to the Borrower and (B) the Borrower becoming aware of such failure to comply; or

(ii) Clause 23.29 *(Conditions subsequent*).

24.4 Misrepresentation

(a) Any representation or statement made or deemed to be made by any Total Transaction Obligor in the Finance Documents or any other document delivered by or on behalf of any Total Transaction Obligor under or in connection with any Finance Document is or proves to have been incorrect or misleading in any material respect (or, where any representation or statement is already qualified by materiality or Material Adverse Effect, in any respect) when made or deemed to be made.

(b) No Event of Default under paragraph (a) above will occur in respect of any misrepresentation if the circumstances giving rise to such misrepresentation are capable of remedy and are remedied within 20 Business Days of the earlier of (A) the Facility Agent giving written notice of such misrepresentation to the Borrower or the relevant Total Transaction Obligor and (B) the Borrower or a Total Transaction Obligor becoming aware of such misrepresentation (it being understood that the subsequent provision of accurate information shall not in itself be deemed to cure any misrepresentation in respect of the accuracy of previous information provided).

24.5 **Cross default**

Any:

(a) Financial Indebtedness of any Transaction Obligor or any Group Member is not paid when due nor within any originally applicable grace period;

(b) Financial Indebtedness of any Transaction Obligor or any Group Member is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described);

(c) commitment for any Financial Indebtedness of any Transaction Obligor or any Group Member is cancelled or suspended by a creditor of any Transaction Obligor or any Group Member as a result of an event of default (however described); or

(d) creditor of any Transaction Obligor or any Group Member becomes entitled to declare any Financial Indebtedness of any Transaction Obligor or any Group Member due and payable prior to its specified maturity as a result of an event of default (however described),

provided that:

(i) no Event of Default will occur under this Clause 24.5 if the aggregate amount of Financial Indebtedness and/or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above (for any and all of the Transaction Obligors and the Group Members) is less than U.S.$2,500,000 (or its equivalent in other currencies); and

(ii) for purpose of determining the amount of Financial Indebtedness under this Clause 24.5 (*Cross default*), Financial Indebtedness shall not include:

(A) Financial Indebtedness owing from a Group Member to another Group Member; or

(B) Financial Indebtedness constituted by any New Shareholder Injection.

24.6 **Insolvency**

(a) any Total Transaction Obligor or any Group Member:

(i) is unable or admits inability to pay its debts as they fall due;

(ii) is deemed to, or is declared to, be unable to pay its debts under applicable law;

(iii) by reason of actual or anticipated financial difficulties, suspends or threatens to suspend making payments on any of its debts; or

(iv) by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors (excluding (A) any Finance Party in its capacity as such and (B) any Group Member in its capacity as creditor of any indebtedness owing by such first-mentioned Total Transaction Obligor or Group Member) with a view to rescheduling any of its indebtedness; or

(b) a moratorium is declared in respect of any indebtedness of any Total Transaction Obligor or any Group Member. If a moratorium occurs, the ending of that moratorium will not remedy any Event of Default caused by that moratorium.

24.7 **Insolvency proceedings**

(a) Any corporate action, legal proceedings or other procedure or formal step is taken or occurs in relation to:

(i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, reorganisation, liquidation or striking off (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Total Transaction Obligor or any Group Member;

(ii) a composition, compromise, assignment or arrangement with any creditor of any Total Transaction Obligor or any Group Member;

(iii) the appointment of a liquidator, receiver, trustee, administrative receiver, administrator, compulsory manager or other similar officer in respect of any Total Transaction Obligor or any Group Member or any of its assets; or

(iv) enforcement of any Security or execution or any form of levy against any assets of any Total Transaction Obligor or any Group Member where the aggregate value of any and all of the assets of Total Transaction Obligors and Group Members that are subject to any or all events and/or circumstances of such enforcement and/or execution is more than U.S.$3,500,000 (or its equivalent in other currencies),

or any analogous procedure or formal step is taken in any jurisdiction.

(b) Paragraph (a) above shall not apply to:

(i) any winding-up petition or petition seeking the appointment of a liquidator, receiver, trustee, administrative receiver, administrator, compulsory manager or other similar officer in respect of any Total Transaction Obligor or any Group Member or any of its assets, where such petition is (A) contested by such Total Transaction Obligor or Group Member in good faith or (B) frivolous or vexatious and is (in each case, whether under (A) or (B)) discharged, stayed (without any subsequent re-commencement) or dismissed within 30 days of its commencement; or

(ii) any step or procedure contemplated by paragraph (d) of the definition of “Permitted Transaction”.

24.8 **Creditors’ process**

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Transaction Obligor or any Group Member unless (a) the aggregate value of any and all assets of Transaction Obligors and Group Members that are subject to any or all events and/or circumstances of such expropriation, attachment, sequestration, distress, execution and/or any analogous process is less than U.S.$3,500,000 (or its equivalent in other currencies) or (b) such process is (i) contested by such Transaction Obligor or Group Member in good faith or (ii) frivolous or vexatious and is (in each case, whether under (i) or (ii)) discharged within 30 days after its commencement.

24.9 **Final judgment**

Any Transaction Obligor or any Group Member fails to comply with or pay any sum due from it under any final judgment or order made or given by any court of competent jurisdiction, except where:

(a) (i) (in the case of failure to pay) the aggregate amount failed to be paid by any or all of the Transaction Obligors and Group Members under any one or more such judgments or orders is less than U.S.$5,000,000 (or its equivalent in other currencies) and (ii) such failure is capable of remedy and is remedied (or such judgment or order is set aside) within 30 days; or

(b) such judgment is appealable and is being appealed by such Transaction Obligor or such Group Member through applicable proceedings, which such proceedings have not been concluded.

24.10 **Unlawfulness and invalidity**

(a) It is or becomes unlawful for any Total Transaction Obligor or any party to the Security Trust Agreement (other than a Finance Party or a Total Transaction Obligor) to perform any of its material obligations under the Finance Documents, or (subject to the Legal Reservations and the applicable Perfection Requirements that are not overdue under applicable law or regulation) any Transaction Security created or expressed to be created or expressed to be created or evidenced by any of the Transaction Security Documents ceases to be effective, or any subordination created under the Security Trust Agreement is or becomes unlawful; or

(b) any Finance Document or any obligation of any Total Transaction Obligor under any Finance Document or of any person (other than a Finance Party or a Total Transaction Obligor) under the Security Trust Agreement, or any Transaction Security created or expressed to be created or evidenced by any of the Transaction Security Documents or any subordination created or expressed to be created under or evidenced by the Security Trust Agreement is or ceases to be legal, valid, binding or (subject to the Legal Reservations and, in the case of the Transaction Security Documents, the applicable Perfection Requirements that are not overdue under applicable law or regulation) enforceable and such event or circumstance individually or cumulatively materially and adversely affects the interests of the Finance Parties under the Finance Documents.

24.11 **Security Trust Agreement**

(a) Any party to the Security Trust Agreement (other than a Finance Party or a Total Transaction Obligor) fails to comply with the provisions of, or does not perform its obligations under, the Security Trust Agreement; or

(b) any representation or warranty given by any party to the Security Trust Agreement (other than a Finance Party or a Total Transaction Obligor) under the Security Trust Agreement is incorrect in any material respect;

and, if such non-compliance or the circumstances giving rise to such misrepresentation are capable of remedy, such non-compliance or circumstances are not remedied within 20 Business Days of the earlier of the Facility Agent giving notice to the Borrower or that party or the Borrower or that party becoming aware of such non-compliance or misrepresentation.

24.12 **Cessation of business**

The Group (taken as a whole) suspends or ceases to carry on all or a material part of its business except as a result of a Permitted Disposal or a Permitted Transaction.

24.13 **Audit qualification**

The auditors of the Group (or the IPO Entity in respect of a Qualifying Flotation) qualify any Annual Financial Statements where that qualification has or would reasonably be expected to be materially adverse to the interests of the Finance Parties.

24.14 **Expropriation**

The authority or ability of any Transaction Obligor or any Group Member (in each case calculated on a consolidated basis) to conduct its business is materially limited or wholly or substantially curtailed by any seizure, expropriation, nationalisation or other action by or on behalf of any Governmental Authority or any other governmental, regulatory or other authority or other person in relation to any Transaction Obligor or any Group Member or any of the assets of any Transaction Obligor or any Group Member (in each case) where such seizure, expropriation, nationalisation or action has or would reasonably be expected to have a Material Adverse Effect; or

24.15 **Repudiation and rescission of agreements**

(a) A Total Transaction Obligor rescinds or purports in writing to rescind or repudiates or purports to repudiate in writing a Finance Document or any of the Transaction Security or evidences in writing an intention to rescind or repudiate a Finance Document or any Transaction Security; or

(b) any party to the Security Trust Agreement (other than a Finance Party or a Total Transaction Obligor) purports to rescind or repudiates in writing or purports to repudiate in writing any of the Security Trust Agreement or evidences an intention to rescind or repudiate in writing the Security Trust Agreement.

24.16 **Litigation**

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced against any Transaction Obligor or any Group Member by any person which are reasonably likely to be adversely determined, and, if so adversely determined, would reasonably be expected to have a Material Adverse Effect.

24.17 **Delisting and suspension of trading**

At any time on or after a Qualifying Flotation:

(a) the IPO Entity (in respect of such Qualifying Flotation) ceases to be listed on the Relevant Stock Exchange; or

(b) trading of the shares of the IPO Entity (in respect of such Qualifying Flotation) on the Relevant Stock Exchange is suspended for a period of more than 15 consecutive days on which the Relevant Stock Exchange is open for trading (for reasons other than there being an imminent announcement of a major acquisition or merger transaction).

For such purpose, "**Relevant Stock Exchange**" means the stock or securities exchange on which shares of such IPO Entity are listed or admitted to trading pursuant to such Qualifying Flotation.

24.18 **Material adverse change**

Any event(s) or circumstance(s) occur(s) which has/have or would have a Material Adverse Effect.

24.19 **Acceleration**

On and at any time after the occurrence of an Event of Default which is continuing the Facility Agent may, and shall if so directed by the Majority Lenders, by notice to the Borrower:

(a) cancel the Total Commitments at which time they (and the Commitment of each Lender in respect of each Facility) shall immediately be cancelled and reduced to zero;

(b) declare that all or part of the Loan(s), together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, at which time they shall become immediately due and payable;

(c) declare that all or part of the Loan(s) be payable on demand, at which time they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders; and/or

(d) exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

24.20 **Clean-Up Period**

(a) For the purposes of this Clause:

"**Clean-Up Default**" means:

(i) any Default or Event of Default existing on or after the date of completion of any Future Acquisition other than an Event of Default under Clause 24.1 (*Non-payment*), Clause 24.2 (*Financial covenants*), Clause 24.3 (*Other obligations*), Clause 24.4 (*Misrepresentation*), Clause 24.6 (*Insolvency*), Clause 24.7 (*Insolvency proceedings*), Clause 24.8 (*Creditors process*), Clause 24.10 (*Unlawfulness and invalidity*) and Clause 24.15 (*Repudiation and rescission of agreements*);

(ii) a Default or an Event of Default falling under Clause 24.3 (*Other obligations*) and constituted by a breach of a Clean-Up Undertaking; or

(iii) a Default or an Event of Default falling under Clause 24.4 (*Misrepresentation*) and constituted by a breach of Clean-Up Representation,

in each case with respect to any of the Clean-Up Entities of the applicable Future Acquisition.

"**Clean-Up Period**" means, in relation to any Future Acquisition, the period from the date of such Future Acquisition to the date falling 120 days thereafter.

"**Clean-Up Representation**" means any of representations and warranties under Clause 20 (*Representations*), other than Clause 20.2 (*Status*), 20.3 (*Binding Obligations*), Clause 20.5 (*Power and authority*), paragraph (a) of Clause 20.6 (*Validity and admissibility in evidence*), Clause 20.7 (*Governing law and enforcement*), Clause 20.17 (*Ranking*), Clause 20.20 (*Legal and beneficial ownership*), Clause 20.21 (*Shares*) and paragraph (a) of Clause 20.24 (*VIE* Contracts).

"**Clean-Up Undertaking**" means any of the undertakings specified in Clause 21 (*Information Undertakings*) or Clause 23 (*General undertakings*) (other than Clause 21.1 (*Financial statements*) to Clause 21.3 (*Requirements as to financial statements*) (inclusive), Clause 23.1 (*Authorisations*) (excluding paragraph (iii) of Clause 23.1 (*Authorisations*)), Clause 23.10 (*Pari passu ranking*), Clause 23.25 (*Further Assurance*), Clause 23.26 (*VIE Contracts*) and Clause 23.29 (*Conditions subsequent*)).

"**Future Clean-Up Entities**" has the meaning given to that term in paragraph (b).

(b) Notwithstanding any other provision of any Finance Document, during the Clean-Up Period relating to a Future Acquisition, any event or circumstance which constitutes a (A) breach of a Clean-Up Representation or a Clean-Up Undertaking or (B) any Default or Event of Default which would (but for this Clause 24.20) constitute a Clean-Up Default will be deemed not to be a Default or an Event of Default (as the case may be) if:

(i) it would have been (if it were not for this Clause 24.20) a Default or an Event of Default only by reason of circumstances relating exclusively to any Future Target in respect of such Future Acquisition or any Subsidiary of or entity directly or indirectly owned by such Future Target that was not a Group Member prior to such Future Acquisition (collectively "**Future Clean-Up Entities**" in respect of such Future Acquisition), or any obligation to procure or ensure in relation to any of such Future Clean-up Entities;

(ii) it is capable of remedy and reasonable steps are being taken to remedy it;

(iii) the circumstances giving rise to it have not been procured by or approved by any Obligor (with knowledge of the relevant breach, event or circumstance not being interpreted in any way as approval of such breach, event or circumstance in circumstances where such Obligor did not reasonably have the ability to control or prevent such breach, event or circumstance from occurring); and

(iv) it does not have a Material Adverse Effect,

provided that if such event or circumstance (which, but for the foregoing provisions of this Clause 24.20, would constitute a Default or an Event of Default) is continuing on or after the expiry of the Clean-Up Period with respect to such Future Acquisition, there shall be a Default or an Event of Default, as the case may be, notwithstanding the above (and without prejudice to the rights and remedies of the Finance Parties).

(c) If, on or before the expiry of a Clean-Up Period relating to a Future Acquisition, any event or circumstance has occurred with respect to any of the Future Clean-Up Entities in respect of such Future Acquisition which would constitute a Clean-Up Default have occurred, as soon as reasonably practicable after becoming aware of its occurrence or existence, the Borrower shall notify the Facility Agent of that Clean-Up Default and such event or circumstance (and the steps, if any, being taken to remedy it).

SECTION 9
CHANGES TO PARTIES

25. CHANGES TO THE LENDERS

25.1 Assignments and transfers by the Lenders

Subject to this Clause 25 and to Clause 26 (*Debt Purchase Transactions*), a Lender (the "**Existing Lender**") may only enter into a Transfer under any Finance Document with another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in syndicated loans (the "**New Lender**").

25.2 Conditions of assignment or transfer

(a) The consent of the Borrower shall be required in respect of any Transfer by an Existing Lender pursuant to Clause 25.1 (*Assignments and transfers by the Lenders*) unless that Transfer is:

(i) to another Lender or an Affiliate of a Lender which is, in each case, a Permitted Transferee;

(ii) to any person set out in Schedule 4 (*White List*) or any Affiliate of any such person; or

(iii) made at a time when an Event of Default under Clause 24.1 (*Non-payment*), Clause 24.6 (*Insolvency*), Clause 24.7 (*Insolvency proceedings*) or Clause 24.8 (*Creditors' process*) is continuing,

and provided that (A) (in each case) the person to which such Transfer is made is not a Conflicted Lender and (B) (in the case of paragraphs (i) and (ii)) the person to which such Transfer is made is not a Distressed Investor.

(b) The consent of the Borrower to any Transfer by a Lender must not be unreasonably withheld or delayed.

(c) Upon written request by an Existing Lender for the Borrower to confirm whether any proposed New Lender (the "**Proposed New Lender**") to which such Existing Lender proposes to make or effect a Transfer is a Conflicted Lender or Distressed Investor, the Borrower shall within seven Business Days notify the Facility Agent and such Existing Lender whether such Proposed New Lender is a Conflicted Lender or Distressed Investor for the purposes of this Agreement, provided that such Existing Lender shall have (A) provided (together with such written request) reasonable particulars of such Proposed New Lender and (B) certified in such written request that such Existing Lender is not actually aware that such Proposed New Lender is a Conflicted Lender or a Distressed Investor. If the Borrower confirms that such Proposed New Lender is not a Conflicted Lender or Distressed Investor, such Proposed New Lender shall be deemed not to be a Conflicted Lender or Distressed Investor for the purposes of any Transfer made by such Existing Lender to such Proposed New Lender within 20 Business Days after the date of such confirmation from the Borrower.

(d) An assignment by an Existing Lender to a New Lender will only be effective:

(i) on receipt by the Facility Agent (whether in the applicable Assignment Agreement or otherwise) of written confirmation from such New Lender (in form and substance satisfactory to the Facility Agent) that such New Lender will assume the same obligations to the other Finance Parties and the other Secured Parties as it would have been under if it was an Original Lender;

(ii) on such New Lender entering into the documentation required for it to accede as a "Senior Lender" (as defined in the Security Trust Agreement) to the Security Trust Agreement; and

(iii) on the completion by each of the Facility Agent and the Security Agent of all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to such assignment to such New Lender, the completion of which the Facility Agent or, as the case may be, the Security Agent shall promptly notify to such Existing Lender and such New Lender.

(e) A transfer by an Existing Lender to a New Lender will only be effective if such New Lender enters into the documentation required for it to accede as a "Senior Lender" (as defined in the Security Trust Agreement) to the Security Trust Agreement and if the procedure set out in Clause 25.5 (*Procedure for transfer*) is complied with in respect of such transfer.

(f) If:

(i) a Lender assigns or transfers any of its rights or obligations under the Finance Documents or changes its Facility Office; and

(ii) as a result of circumstances existing at the date on which such assignment, transfer or change occurs, the Borrower would be obliged to make a payment to the New Lender (to which such Lender assigns or transfers such rights or obligations) or such Lender acting through its new Facility Office under Clause 14 (*Tax gross-up and indemnities*) or Clause 15 (*Increased costs*),

then the entitlement of such New Lender or, as the case may be, such Lender acting through its new Facility Office to receive payment under that Clause by reference to such circumstances existing at the date on which such assignment, transfer or change occurs (or a continuation of such circumstances) shall be limited to the same extent as the entitlement of such first-mentioned Lender or such first-mentioned Lender acting through its previous Facility Office had such assignment, transfer or change not occurred.

(g) An Existing Lender may not assign or transfer any or all of its rights or obligations under the Finance Documents to a New Lender or change its Facility Office if, by reference to the circumstances subsisting as at the time of such assignment, transfer or change, such assignment, transfer or change would give rise to a requirement to prepay any Loan (or any part thereof) or cancel any Commitment (or any part thereof) in respect of any Facility pursuant to Clause 7.1 (*Illegality*) in relation to such New Lender or, as the case may be, such Existing Lender acting through its new Facility Office.

(h) An assignment or transfer of part of (instead of all of) an Existing Lender's participation in respect of a Facility to a New Lender must be in an amount such that, immediately after such assignment or transfer:

(i) the amount of that Existing Lender's remaining participation (when aggregated with its Affiliates' participation) in respect of Commitment and/or the Loan(s) in respect of that Facility is a minimum amount of U.S.$5,000,000 or its equivalent; and

(ii) the amount of that New Lender's participation (when aggregated with its Affiliates' participation) in respect of Commitment and/or the Loan(s) in respect of that Facility is a minimum amount of U.S.$5,000,000 or its equivalent,

or such lesser amount with the prior written consent of the Borrower.

(i) Each New Lender, by executing the relevant Transfer Certificate or Assignment Agreement, confirms, for the avoidance of doubt, that each of the Facility Agent and the Security Agent has authority to execute on its behalf any amendment or waiver relating to any Finance Document that has been approved by or on behalf of the requisite Lender or Lenders in accordance with this Agreement or requisite party or parties in accordance with the Security Trust Agreement on or prior to the date on which the applicable transfer or assignment from the applicable Existing Lender to such New Lender becomes effective in accordance with this Agreement and that it is bound by that decision to the same extent as such Existing Lender would have been had it remained a Lender.

(j) An Existing Lender shall, simultaneously with the assignment or transfer by it of rights and/or obligations under this Agreement to a New Lender, assign to that New Lender a proportionate share of the rights held by it (in its capacity as Lender) under or in connection with the other Finance Documents.

(k) Any reference in this Agreement to a Lender includes a New Lender but excludes a Lender if no amount is or may be owed to or by it under any Finance Document.

(l) If any assignment or transfer by a Lender of its rights and/or obligations under any Finance Document is executed and purported to have effect in breach of the provisions in any Finance Document, that assignment or transfer shall be void and deemed not to have occurred and the right to vote in respect of any of the Commitment (in respect of any Facility) and/or participation in any Loan the subject of such assignment or transfer shall be suspended and such Commitment and participation shall be ignored (and shall be treated as not outstanding) in determining decisions requiring a vote by some or all of the Lenders, or a class or group of them, until such time as the provisions of the Finance Documents with respect to such assignment or transfer shall have been complied with.

25.3 **Assignment or transfer fee**

Unless the Facility Agent otherwise agrees, the New Lender shall, on the date upon which an assignment or transfer by the Existing Lender to the New Lender takes effect, pay to the Facility Agent (for its own account) a fee of U.S.$3,000.

25.4 **Limitation of responsibility of Existing Lenders**

(a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:

(i) the legality, validity, effectiveness, adequacy or enforceability of the Transaction Documents, the Transaction Security or any other documents;

(ii) the financial condition of any Total Transaction Obligor;

(iii) the performance and observance by any Total Transaction Obligor or any other person of its obligations under the Transaction Documents or any other documents; or

(iv) the accuracy of any statements (whether written or oral) made in or in connection with any Transaction Document or any other document,

and any representations or warranties implied by law are excluded.

(b) Each New Lender confirms to the Existing Lender (which makes any assignment or transfer to such New Lender), the other Finance Parties and the Secured Parties that it:

(i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Total Transaction Obligor and its related entities in connection with its participation in this Agreement and/or any other Finance Document and has not relied exclusively on any information provided to it by such Existing Lender or any other Finance Party in connection with any Transaction Document or the Transaction Security; and

(ii) will continue to make its own independent appraisal of the creditworthiness of each Total Transaction Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment in respect of any Facility (or any commitment represented thereby) is in force.

(c) Nothing in any Finance Document obliges an Existing Lender to:

(i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred by such Existing Lender under this Clause 25; or

(ii) support any losses directly or indirectly incurred by a New Lender by reason of the non-performance by any Total Transaction Obligor of its obligations under the Transaction Documents or otherwise.

25.5 **Procedure for transfer**

(a) Subject to the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*) a transfer by the Existing Lender of any or all of its rights and obligations under this Agreement to the New Lender is effected on the Transfer Date in respect of such transfer in accordance with paragraph (c) below when the Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender (in respect of such transfer). The Facility Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.

(b) The Facility Agent shall only be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or similar checks under all applicable laws and regulations in relation to the transfer to such New Lender (the subject of such Transfer Certificate).

(c) On the Transfer Date in respect of a transfer by the Existing Lender to the New Lender:

(i) to the extent that in the Transfer Certificate relating to such transfer the Existing Lender seeks to transfer by novation its rights and obligations under this Agreement, each of the Obligors and the Existing Lender shall be released from further obligations towards one another under this Agreement and their respective rights against one another under this Agreement shall be cancelled (being the "**Discharged Rights and Obligations**");

(ii) each of the Obligors and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor and the New Lender have assumed and/or acquired the same in place of that Obligor and the Existing Lender;

(iii) the Facility Agent, the Mandated Lead Arranger, the Security Agent, the New Lender, the other Lenders and the Hedge Counterparties shall acquire the same rights and assume the same obligations between themselves as they would have acquired and assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of such transfer and to that extent the Facility Agent, the Mandated Lead Arranger, the Security Agent and the Existing Lender shall each be released from further obligations to each other under this Agreement; and

(iv) the New Lender shall become a Party as a "Lender".

25.6 **Procedure for assignment**

(a) Subject to the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*) an assignment by the Existing Lender of any or all of its rights under this Agreement to the New Lender may be effected on the Transfer Date in respect of such assignment in accordance with paragraph (c) below when the Facility Agent executes an otherwise duly completed Assignment Agreement (in respect of such assignment) delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.

(b) The Facility Agent shall only be obliged to execute an Assignment Agreement delivered to it by the Existing Lender and the New Lender once it is satisfied it has complied with all necessary "know your customer" or similar checks under all applicable laws and regulations in relation to the assignment to such New Lender (the subject of such Assignment Agreement).

(c) On the Transfer Date in respect of an assignment by the Existing Lender to the New Lender:

(i) the Existing Lender will assign absolutely to the New Lender its rights under the Finance Documents and in respect of the Transaction Security expressed to be the subject of the assignment in the Assignment Agreement relating to such assignment;

(ii) the Existing Lender will be released from the obligations (the "**Relevant Obligations**") expressed to be the subject of the release in such Assignment Agreement (and any corresponding obligations by which it is bound in respect of the Transaction Security); and

(iii) the New Lender shall become a Party as a "Lender" and will be bound by obligations equivalent to the Relevant Obligations.

(d) A Lender may utilise procedures other than those set out in this Clause 25.6 to assign its rights under any Finance Document (but not, without the consent of the relevant Obligor party to such Finance Document or unless in accordance with Clause 25.5 (*Procedure for transfer*), to obtain a release by that Obligor from the obligations owed to that Obligor by that Lender nor the assumption of equivalent obligations by the applicable New Lender) **provided that** they comply with the conditions set out in Clause 25.2 (*Conditions of assignment or transfer*).

25.7 **Copy of Transfer Certificate, Assignment Agreement or Increase Confirmation to Borrower**

The Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate, an Assignment Agreement or an Increase Confirmation, send to the Borrower a copy of that Transfer Certificate, Assignment Agreement or Increase Confirmation.

25.8 **Accession of Hedge Counterparties**

Any person which becomes a party to the Security Trust Agreement as a Hedge Counterparty (as defined in the Security Trust Agreement) shall, at the same time, become a Party to this Agreement as a "Hedge Counterparty" in accordance with clause 19.10 (*Creditor Accession Undertaking*) of the Security Trust Agreement.

25.9 **Security over Lenders' rights**

In addition to the other rights provided to Lenders under this Clause 25, each Lender may without consulting with or obtaining consent from any Transaction Obligor, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including:

(a) any charge, assignment or other Security to secure obligations to a federal reserve or central bank; and

(b) in the case of any Lender which is a fund, any charge, assignment or other Security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,

except that no such charge, assignment or Security shall:

(i) release such Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or other Security for such Lender as a party to any of the Finance Documents; or

(ii) require any payments to be made by any Transaction Obligor or grant to any person any more extensive rights than those required to be made or granted to such Lender under the Finance Documents.

25.10 **Exclusion of Facility Agent's and Security Agent's liabilities**

In relation to any assignment or transfer pursuant to this Clause 25, each Party acknowledges and agrees that neither the Facility Agent nor the Security Agent shall be obliged to:

(a) enquire as to the accuracy of any representation or warranty made by, or the status of, any person in respect of its eligibility as a Lender;

(b) attend to any registration or perfection requirements required in connection with such assignment or transfer or to ensure that such registration or perfection requirements are completed; and/or

(c) provide any New Lender with any information regarding any previous amendments or waivers in relation to any Finance Document.

25.11 **Sub-participation**

For the avoidance of doubt, each Lender may grant a sub-participation which is not a Voting Participation in respect of any or all of its rights and/or obligations under any Finance Document to any person.

25.12 **Change of name**

If a Lender changes its name, then it shall, at its own cost and within 5 Business Days, provide the Facility Agent with an original or certified true copy of a legal opinion issued by the legal advisers to such Lender in the jurisdiction where such Lender is incorporated addressed to the Facility Agent (for and on behalf of the Finance Parties), which is in form and substance satisfactory to the Facility Agent, confirming that (a) such Lender has changed its name; (b) the new name of such Lender; (c) the date from which such change has taken effect; and (d) such Lender's obligations under the Finance Documents remain legal, valid, binding and enforceable on such Lender after its change of name. If such Lender fails to provide the Facility Agent with such legal opinion, it shall, upon the request of the Facility Agent, sign and deliver to the Facility Agent a Transfer Certificate in respect of the transfer of its rights and obligations under this Agreement to the entity with such new name.

25.13 **Re-organisation**

If a Lender becomes subject to a re-organisation, such Lender shall, at its own costs and within 7 Business Days after the effective date of such re-organisation, deliver to the Facility Agent an original or certified true copy of legal opinions, each in form and substance satisfactory to the Facility Agent, addressed to the Facility Agent (as agent for the Finance Parties) and issued by legal advisers to such Lender in each of the jurisdictions (a) where such Lender is incorporated; (b) where such Lender's Facility Office is located, and (c) the law of which governs the Finance Documents such that all such legal opinions taken together provide the Facility Agent with confirmation that such Lender's obligations under the Finance Documents remain legal, valid, binding and enforceable on the surviving entity of such re-organisation after such re-organisation. If such Lender fails to provide the Facility Agent with such legal opinions, it shall, upon the request of the Facility Agent, sign and deliver to the Facility Agent a Transfer Certificate in respect of the transfer of its rights and obligations under this Agreement to the surviving entity of such re-organisation.

26. **DEBT PURCHASE TRANSACTIONS**

26.1 **Debt Purchase Transactions by Group Members**

(a) None of the Obligors shall, and the Borrower shall procure that each other Group Member shall not, (i) enter into any Debt Purchase Transaction other than in accordance with the other provisions of this Clause 26.1 or (ii) itself be (or beneficially own all or any majority of the share capital of a company or an entity that is) a Lender or a party to a Voting Participation.

(b) The Borrower may purchase by way of assignment or transfer, pursuant to Clause 25 (*Changes to the Lenders*), a participation in any Loan and any related Commitment in respect of any Facility where:

(i) such purchase is made for a consideration of less than the par value of such Loan;

(ii) such purchase is made using of the processes set out in paragraphs below;

(iii) such purchase is made at a time when no Default is continuing; and

(iv) the consideration for such purchase is entirely funded from Acceptable Funding Sources.

(c) In relation to any Debt Purchase Transaction (constituted by assignment or transfer of any participation in any Loan or Commitment in respect of any Facility to the Borrower) made pursuant to this Clause 26.1, notwithstanding any other term of this Agreement or the other Finance Documents:

(i) on completion of that assignment or transfer pursuant to Clause 25 (*Changes to the Lenders*), the portions of the Loan(s) to which it relates shall be extinguished and (in the case of any Loan under any Facility other than Facility B) the remaining Repayment Instalments in respect of such Facility will be reduced pro rata accordingly, and the Commitment (in respect of any Facility) to which that assignment or transfer relates shall be cancelled and reduced to zero;

(ii) such Debt Purchase Transaction and the related extinguishment referred to in paragraph (i) above shall not constitute a prepayment of any of the Facilities;

(iii) the Borrower which is the assignee or transferee (in respect of such assignment or transfer) shall be deemed to be an entity which fulfils the requirements of Clause 25.1 (*Assignments and transfers by the Lenders*) to be a New Lender (as defined in such Clause);

(iv) no Group Member shall be deemed to be in breach of any provision of Clause 23 (*General undertakings*) or any other provision of any Finance Document by reason of such Debt Purchase Transaction;

(v) Clause 30 (*Sharing among the Finance Parties*) shall not be applicable to the consideration paid under such Debt Purchase Transaction; and

(vi) for the avoidance of doubt, any extinguishment of any part of any Loan shall not affect any amendment or waiver which prior to such extinguishment had been approved by or on behalf of the requisite Lender or Lenders in accordance with any Finance Document.

(d)

(i) A Debt Purchase Transaction referred to in paragraph (b) above may be entered into pursuant to a solicitation process (a "**Solicitation Process**") which is carried out as follows.

(ii) Prior to 11.00 am on a given Business Day (the "**Solicitation Day**") the Borrower or a financial institution acting on its behalf (the "**Solicitation Purchase Agent**") will approach at the same time each Lender which participates in the applicable Facility to enable them to offer to sell to the Borrower an amount of their participation in such Facility. Any Lender wishing to make such an offer shall, by 11.00 am on the second Business Day following such Solicitation Day, communicate to the Solicitation Purchase Agent details of the amount of its participations in such Facility that it is offering to sell and the price at which it is offering to sell such participations. Any such offer (once so made) shall be irrevocable until 11.00 am on the third Business Day following such Solicitation Day and shall be capable of acceptance by the Borrower on or before such time by communicating its acceptance in writing to the Solicitation Purchase Agent or, if it is the Solicitation Purchase Agent, the applicable Lender making such offer. The Borrower shall ensure that the Solicitation Purchase Agent (or, if the Solicitation Purchase Agent is the Borrower, the Borrower) will communicate to the Lenders whose offers have been so accepted by 12 noon on the third Business Day following such Solicitation Day. In any event by 5.00 pm on the fourth Business Day following such Solicitation Day, the Borrower shall notify the Facility Agent of the amounts of the participations of the Lenders in such Facility so purchased through such Solicitation Process, the identity of the Facility to which they relate and the average price for the purchase of such participations in such Facility. The Facility Agent shall promptly disclose such information to the Lenders.

(iii) Any purchase of participations in any such Facility pursuant to a Solicitation Process shall be completed and settled by the Borrower on or before the fifth Business Day after the Solicitation Day in respect of such Solicitation Process.

(iv) In accepting any offers made pursuant to a Solicitation Process, the Borrower shall be free to select which offers and in which amounts of participations in respect of the applicable Facility that it accepts, but such selection and acceptance must be on the basis that in relation to offers relating to participations in a particular Facility, the Borrower must accept such offers in inverse order of the price offered (with the offer or offers at the lowest price being accepted first) and that if in respect of participations in a particular Facility it receives two or more offers at the same price it shall only accept such offers on a pro rata basis (according to the respective participations in such Facility offered to be sold pursuant to such offers).

(e)

(i) A Debt Purchase Transaction referred to in paragraph (b) above may also be entered into pursuant to an open order process (an "**Open Order Process**") which is carried out as follows.

(ii) The Borrower or a financial institution acting on its behalf (the "**Open Order Purchase Agent**") may by place an open order (an "**Open Order**") on behalf of the Borrower to which any Loan has been made under any Facility to purchase participations in such Facility up to a set aggregate amount at a set price by notifying at the same time all the Lenders (with any participation in such Facility) of the same. Any Lender wishing to sell pursuant to such Open Order will, by 11.00 am on any Business Day following the date on which such Open Order is placed but no earlier than the first Business Day, and no later than the fifth Business Day, following the date on which such Open Order is placed, communicate to the Open Order Purchase Agent details of the amount of its participations in such Facility that it is offering to sell pursuant to and in accordance with the terms of such Open Order. Any such offer by a Lender to sell shall be irrevocable until 11.00 am on the Business Day following the date of such offer from such Lender and shall be capable of acceptance by the Borrower on or before such time by the Borrower's communicating such acceptance in writing to such Lender.

(iii) Any purchase of participations in a Facility pursuant to an Open Order Process shall be completed and settled by the Borrower on or before the fourth Business Day after the date of the applicable offer by a Lender to sell under such Open Order, which offer is accepted in accordance with (e)(ii).

(iv) If in respect of participations in a Facility the Open Order Purchase Agent receives on the same Business Day two or more offers from Lenders to sell all or part of their participations in such Facility pursuant to such Open Offer such that the maximum aggregate participations in such Facility to which such Open Order relates (less any such participations in such Facility purchased or to be purchased pursuant to offers from Lenders received on any previous Business Day that have already been accepted) would be exceeded if all of such offers were accepted in full, the Borrower shall only accept such offers on a pro rata basis (according to the respective participations in such Facility offered to be sold pursuant to such offers).

(v) The Borrower shall, by 5.00pm on the sixth Business Day following the date on which an Open Order is placed, notify the Facility Agent of the amounts of the participations in such Facility purchased or to be purchased through such Open Order Process in respect of such Open Order and the identity of the Facility to which it relates. The Facility Agent shall promptly disclose such information to the Lenders.

(f) For the avoidance of doubt, there is no limit on the number of occasions a Solicitation Process or an Open Order Process may be implemented.

26.2 **Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates**

(a) For so long as a Sponsor Affiliate:

(i) holds or beneficially owns (or holds the economic benefit or effect of) any Commitment in respect of any Facility (or the rights and/or obligations attributable thereto or any commitment represented thereby) or any participation in any Loan; or

(ii) has entered into a sub-participation agreement relating to any Commitment in respect of any Facility (or the rights and/or obligations attributable thereto or any commitment represented thereby) or any participation in any Loan, or any other agreement or arrangement having a substantially similar economic effect and such agreement or arrangement has not been terminated,

then notwithstanding any other provision of this Agreement or any other Finance Document, in ascertaining:

(A) the Majority Lenders; or

(B) whether the consent of Lenders holding any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments, the Commitments or Available Commitments (in respect of any or all of the Facilities) or participations in any or all of Loans (under any or all of the Facilities) or the agreement of any specified group of Lenders, has been obtained to approve any request for a consent, waiver, amendment or other vote under the Finance Documents:

(1) such Commitment and such participation in such Loan shall be deemed to be zero **provided that** such consent, waiver, amendment or other vote is not materially detrimental (in comparison to the other Lenders) to the rights and/or interests of that Sponsor Affiliate solely in its capacity as a Lender (and, for the avoidance of doubt, excluding its interests as a holder of equity in the Borrower (whether directly or indirectly)), and each Sponsor Affiliate upon becoming a Party expressly agrees and acknowledges that the operation of this Clause 26.2 shall not of itself be so detrimental to it in comparison to the other Lenders or otherwise; and

(2) each of such Sponsor Affiliate, and each person with whom it has entered into such sub-participation, other agreement or arrangement, shall be deemed not to be a Lender for the purposes of paragraphs (A) and (B) above (unless, in the case of a person that is not a Sponsor Affiliate, to the extent that it is a Lender by virtue otherwise than holding or beneficially owning (or holding the economic benefit or effect of) any Commitment in respect of any Facility (or any commitment represented thereby) or any participation in any Loan to which (i) or (ii) applies).

(b) Each Lender shall, unless such Debt Purchase Transaction falls within paragraph (a) of the definition of "Debt Purchase Transaction", promptly notify the Facility Agent in writing if it knowingly enters into a Debt Purchase Transaction with a Sponsor Affiliate (a "**Notifiable Debt Purchase Transaction**"), such notification to be substantially in the form set out in Part I of Schedule 12 (*Forms of Notifiable Debt Purchase Transaction Notice*).

(c) A Lender shall promptly notify the Facility Agent if a Notifiable Debt Purchase Transaction to which it is a party:

(i) is terminated; or

(ii) ceases to be with a Sponsor Affiliate,

such notification to be substantially in the form set out in Part II of Schedule 12 (*Forms of Notifiable Debt Purchase Transaction Notice*).

(d) Each Sponsor Affiliate that is a Lender agrees that:

(i) in relation to any meeting or conference call to which all the Lenders are invited to attend or participate, it shall not attend or participate in the same if so requested by the Facility Agent or, unless the Facility Agent otherwise agrees, be entitled to receive the agenda or any minutes of the same; and

(ii) in its capacity as Lender, unless the Facility Agent otherwise agrees, it shall not be entitled to receive any report or other document prepared at the behest of, or on the instructions of, the Facility Agent or one or more of the Lenders.

26.3 **Sponsor Affiliates' notification to other Lenders of Debt Purchase Transactions**

Any Sponsor Affiliate which is or becomes a Lender and which enters into a Debt Purchase Transaction as a purchaser or a participant (or similar capacity) shall, by 5.00 pm on the Business Day following the day on which it entered into that Debt Purchase Transaction, notify the Facility Agent of the extent of the Commitment in respect of any Facility (or any commitment represented thereby), any Loan or any other amount outstanding to which that Debt Purchase Transaction relates. The Facility Agent shall promptly disclose such information to the Lenders.

27. CHANGES TO THE OBLIGORS

27.1 Assignment and transfers by Obligors

No Obligor shall, and each Obligor shall ensure that no Total Transaction Obligor or other Group Member shall, assign any of its rights or transfer any of its rights or obligations under any of the Finance Documents, except with the prior written consent of all of the Lenders.

27.2 Additional Guarantors

(a) If (1) any person becomes a Group Member pursuant to a Permitted Acquisition (falling within paragraph (d) or (e) of the definition of "Permitted Acquisition") (such person being a "**New Group Member**") and (2) such New Group Member is incorporated or established outside the PRC, then:

(i) (if the Borrower directly holds or beneficially owns any Equity Interest in such New Group Member) the Borrower shall promptly upon such New Group Member's becoming a Group Member give the Facility Agent a notice to the effect that such New Group Member and each of such New Group Member's Subsidiaries incorporated or established outside the PRC shall become an Additional Guarantor (such notice being an "**Additional Guarantor Notice**"); or

(ii) (if the Borrower does not directly hold or beneficially own any Equity Interest in such New Group Member) the Borrower may (but shall not be obliged to, unless otherwise required pursuant to paragraph (a)(i) by virtue of a Holding Company of such New Group Member falling within paragraph (a)(i)) promptly upon such New Group Member's becoming a Group Member (that is incorporated or established outside the PRC) give the Facility Agent an Additional Guarantor Notice in respect of such New Group Member, **provided that** the Borrower may not give such Additional Guarantor Notice if the conditions under paragraph (e)(ix) of the definition of "Permitted Acquisition" are not (or would not as a result of the giving of such Additional Guarantor Notice be) satisfied with respect to such Permitted Acquisition.

(b) Where the Borrower gives or is required to give an Additional Guarantor Notice in respect of any New Group Member pursuant to paragraph (a), the Borrower shall procure that:

(i) such New Group Member and each of its Subsidiaries which are incorporated or established outside the PRC shall promptly (and in any event within 10 Business Days of such New Group Member's becoming a Group Member) become party to this Agreement as a "Guarantor" and become party to the Security Trust Agreement as a "Debtor" (as defined in the Security Trust Agreement)) in accordance with paragraph (c);

(ii) each Group Member that holds or beneficially owns any Equity Interest in such New Group Member shall promptly (and in any event within 10 Business Days of such New Group Member's becoming a Group Member) grant Transaction Security over all of the Equity Interests held and/or beneficially owned by it in such New Group Member pursuant to Transaction Security Document(s) in agreed form or otherwise in form and substance satisfactory to the Security Agent (acting reasonably), and for the purposes of this paragraph (b)(ii), if such Transaction Security Document(s) are substantially in the form of any existing Transaction Security Document(s) that confer fixed Security over Equity Interests in an entity of the same jurisdiction of incorporation or establishment as such New Group Member, such Transaction Security Document(s) shall (subject to specific considerations relating to the Equity Interests in question and specific requirements under applicable laws) be deemed to be in form and substance satisfactory to the Security Agent; and

(iii) each of such New Group Member and each of its Subsidiaries which are incorporated or established outside the PRC shall promptly (and in any event within 10 Business Days of such New Group Member's becoming a Group Member) grant Transaction Security over its assets (including Equity Interests in each of its Subsidiaries) pursuant to Transaction Security Document(s) in agreed form or otherwise in form and substance satisfactory to the Security Agent (acting reasonably), **provided that**:

(A) in the case of any such asset in the form of Equity Interests in any Onshore Group Member, the Borrower shall procure that such New Group Member or its applicable Subsidiary that holds or beneficially owns such Equity Interests shall execute the applicable Transaction Security Document (in respect of Transaction Security over such Equity Interests) within 10 Business Days of such New Group Member's becoming a Group Member and shall thereafter use reasonable endeavours to obtain and effect, within 90 days after the date of execution of such Transaction Security Document, the requisite Authorisations required under the laws of the PRC (including approval of MOFCOM and registration with SAIC) in respect of such Transaction Security Document and shall promptly upon obtaining or effecting any such Authorisation, deliver evidence of the same to the Facility Agent; and

(B) if such Transaction Security Document(s) are substantially in the form of any existing Transaction Security Document(s) that confer (1) (in the case of assets other than Equity Interests) equivalent Transaction Security over similar assets of an Obligor of the same jurisdiction of incorporation or establishment of such New Group Member or, as the case may be, such Subsidiary or (2) (in the case of Equity Interests) fixed Security over Equity Interests in an entity of the same jurisdiction of incorporation or establishment as the entity the Equity Interests in which are to be made subject to Transaction Security, and for the purposes of this paragraph (b)(iii). such Transaction Security Document(s) shall (subject to specific considerations relating to the assets or Equity Interests in question and specific requirements under applicable laws) shall be deemed to be in form and substance satisfactory to the Security Agent.

(c) Subject to compliance with the provisions of paragraphs (c) and (d) of Clause 21.7 (*"Know your customer" checks*) and paragraph (a) above, the Borrower may request that any New Group Member or any Subsidiary of any New Group Member become a "Guarantor" (which Group Member shall accede to the Security Trust Agreement as a "Debtor" (as defined in the Security Trust Agreement)) by giving the Facility Agent an Additional Guarantor Notice (in respect of such New Group Member or, as the case may be, such Subsidiary) no less than 5 Business Days prior to the date on which such New Group Member or, as the case may be, such Subsidiary is to become party to this Agreement. Such New Group Member or, as the case may be, such Subsidiary of such New Group Member ((in each case) a "**Proposed Additional Guarantor**") shall become party hereto as a "Guarantor" if:

(i) the Borrower and such Proposed Additional Guarantor deliver to the Facility Agent a duly completed and executed Accession Deed (in respect of the accession of such Proposed Additional Guarantor as a "Guarantor");

(ii) each of the Borrower and such Proposed Additional Guarantor shall have confirmed in such Accession Deed that no Default is continuing or would occur as a result of such Proposed Additional Guarantor becoming a Guarantor;

(iii) each of the Facility Agent and the Security Agent shall have completed (and be satisfied with the results of) all necessary "know your customer", anti-money laundering or similar other checks relating to any person that it is required under applicable laws and/or regulations to carry out in relation to such Proposed Additional Guarantor becoming a Guarantor; and

(iv) the Facility Agent has received all of the documents and other evidence listed in Part II of Schedule 2 (*Conditions Precedent*) in relation to that Proposed Additional Guarantor, each in form and substance satisfactory to the Facility Agent (acting reasonably).

(d) The Facility Agent shall notify the Borrower, the Security Agent and the Lenders promptly upon being satisfied that it has received, or waived the requirement to receive (in form and substance satisfactory to it (acting reasonably)) all the documents and other evidence listed in Part II of Schedule 2 (*Conditions Precedent*) in relation to a Proposed Additional Guarantor.

(e) Other than to the extent that the Majority Lenders notify the Facility Agent in writing to the contrary before the Facility Agent gives the notification described in paragraph (d) above, the Lenders authorise (but do not require) the Facility Agent to give that notification. The Facility Agent shall not be liable for any damages, costs or losses whatsoever as a result of giving any such notification.

27.3 **Cessation of Distribution Account Holder as Total Transaction Obligor**

Upon the occurrence of the Senior Facility B Discharge Date, the Distribution Account Holder shall cease to be a Total Transaction Obligor and shall have no further rights or obligations under this Agreement as a Total Transaction Obligor.

SECTION 10
THE FINANCE PARTIES

28. ROLE OF THE FACILITY AGENT, THE MANDATED LEAD ARRANGER AND OTHERS

28.1 **Appointment of the Facility Agent**

(a) Each of the Mandated Lead Arranger and the Lenders appoints the Facility Agent to act as its agent under and in connection with the Finance Documents.

(b) Each of the Mandated Lead Arranger and the Lenders authorises the Facility Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Facility Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

28.2 **Instructions**

(a) The Facility Agent shall:

(i) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by:

(A) all Lenders if such right, power, authority or discretion relates to any matter that the requires the consent or instructions of all of the Lenders pursuant to the terms of the applicable Finance Document(s);

(B) a specific group of Lenders if such right, power, authority or discretion relates to any matter that the requires the consent or instructions of such specific group of Lenders pursuant to the terms of the applicable Finance Document(s); and

(C) in all other cases, the Majority Lenders; and

(ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with paragraph (i) above.

(b) The Facility Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if the applicable Finance Document(s) stipulates that instructions from or consent of any other Lender or any group of Lenders are required, from that other Lender or that group of Lenders) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion vested in it as Facility Agent and the Facility Agent may refrain from acting unless and until it receives those instructions or that clarification.

(c) Save in the case of any matter that requires the instructions or consent of any other Lender or group of Lenders under the applicable Finance Document(s) and unless a contrary indication appears in a Finance Document, any instructions given to the Facility Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties save for the Security Agent.

(d) The Facility Agent may refrain from acting in accordance with any instructions of any Lender or group of Lenders until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.

(e) In the absence of instructions, the Facility Agent may act (or refrain from acting) as it considers to be in the best interest of the Lenders.

(f) The Facility Agent is not authorised to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceeding relating to any Finance Document. This paragraph (f) shall not apply to any legal or arbitration proceedings relating to the perfection, preservation or protection of rights under the Transaction Security Documents or enforcement of the Transaction Security or Transaction Security Documents.

28.3 **Duties of the Facility Agent**

(a) The Facility Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

(b) Subject to paragraph (c) below, the Facility Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Facility Agent for that Party by any other Party.

(c) Without prejudice to Clause 25.7 (*Copy of Transfer Certificate, Assignment Agreement or Increase Confirmation to Borrower*), paragraph (b) above shall not apply to any Fee Letter, any Transfer Certificate, any Assignment Agreement or any Increase Confirmation.

(d) Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(e) If the Facility Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.

(f) If the Facility Agent is aware of the non-payment of any principal, interest, or fee payable to a Finance Party (other than the Facility Agent, the Mandated Lead Arranger or the Security Agent) under this Agreement it shall promptly notify the other Finance Parties.

(g) The Facility Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

28.4 **Role of the Mandated Lead Arranger**

Except as specifically provided in the Finance Documents, the Mandated Lead Arranger shall not have any obligations of any kind to any other Party under or in connection with any Finance Document.

28.5 **No fiduciary duties**

(a) Nothing in any Finance Document constitutes the Facility Agent or the Mandated Lead Arranger as a trustee or fiduciary of any other person.

(b) None of the Facility Agent or the Mandated Lead Arranger shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

28.6 **Business with the Group**

The Facility Agent and the Mandated Lead Arranger may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Group Member or any Total Transaction Obligor.

28.7 **Rights and discretions**

(a) The Facility Agent may:

(i) rely on any representation, communication, notice or document (including, any notice given by a Lender pursuant to paragraph (b) or (c) of Clause 26.2 (*Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates*)) believed by it to be genuine, correct and appropriately authorised and shall have no duty to verify any signature on any document;

(ii) reply on any statement purportedly made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify;

(iii) assume that:

(A) any instructions received by it from the Majority Lenders, any Lenders or any group of Lenders are duly given in accordance with the terms of the Finance Documents; and

(B) unless it has received notice of revocation, that those instructions have not been revoked; and

(iv) rely on a certificate from any person:

(A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or

(B) to the effect that such person approves of any particular dealing, transaction, step, action or thing,

as sufficient evidence that that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.

(b) The Facility Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Finance Parties) that:

(i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 24.1 (*Non-payment*));

(ii) any right, power, authority or discretion vested in any Party or any group of Lenders has not been exercised;

(iii) any notice or request made by the Borrower (other than any Utilisation Request) is made on behalf of and with the consent and knowledge of all the Total Transaction Obligors; and

(iv) no Notifiable Debt Purchase Transaction:

(A) has been entered into;

(B) has been terminated; or

(C) has ceased to be with a Sponsor Affiliate.

(c) The Facility Agent may engage and pay for the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.

(d) Without prejudice to the generality of paragraph (c) above or paragraph (e) below, the Facility Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Facility Agent (and so separate from any lawyers instructed by the Lenders) if the Facility Agent in its reasonable opinion deems this to be desirable.

(e) The Facility Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Facility Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.

(f) The Facility Agent may act in relation to the Finance Documents through its officers, employees and agents and the Facility Agent shall not:

(i) be liable for any error of judgment made by any such person; or

(ii) be bound to supervise, or be in any way responsible for, any loss incurred by reason of misconduct, omission or default on the part of, any such person,

unless such error or such loss was directly caused by the Facility Agent's gross negligence or wilful misconduct.

(g) Unless a Finance Document expressly provides otherwise the Facility Agent may disclose to any other Party any information it reasonably believes it has received as Facility Agent.

(h) Without prejudice to the generality of paragraph (g) above, the Facility Agent:

(i) may disclose; and

(ii) on the written request of the Borrower or the Majority Lenders shall, as soon as reasonably practicable, disclose,

the identity of a Defaulting Lender (to the extent that the Facility Agent is aware) to the Borrower and to the other Finance Parties.

(i) Notwithstanding any other provision of any Finance Document to the contrary, none of the Facility Agent or the Mandated Lead Arranger is obliged to do or omit to do anything if it would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

(j) The Facility Agent may not disclose to any Finance Party any details of the rate notified to the Facility Agent by any Lender or the identity of any such Lender for the purpose of paragraph (a)(ii) of Clause 12.2 (*Market disruption*).

(k) Notwithstanding any provision of any Finance Document to the contrary, the Facility Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

28.8 **Responsibility for documentation**

None of the Facility Agent or the Mandated Lead Arranger is responsible or liable for:

(a) the adequacy, accuracy or completeness of any information (whether oral or written) supplied by the Facility Agent, the Mandated Lead Arranger, any Total Transaction Obligor or any other person in or in connection with any Finance Document, the Base Case Model or the transactions contemplated in the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document or the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document or the Transaction Security; or

(c) any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

28.9 **No duty to monitor**

The Facility Agent shall not be bound to enquire:

(a) whether or not any Default has occurred;

(b) as to the performance, default or any breach by any Party or any Total Transaction Obligor of its obligations under any Finance Document; or

(c) whether any other event specified in any Finance Document has occurred.

28.10 **Exclusion of liability**

(a) Without limiting paragraph (b) below (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of the Facility Agent, the Facility Agent will not be liable (including for negligence or any other category of liability whatsoever) for:

(i) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Finance Document or the Transaction Security, unless directly caused by its gross negligence or wilful misconduct;

(ii) exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document, the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document or the Transaction Security; or

(iii) without prejudice to the generality of paragraphs (i) and (ii) above, any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of:

(A) any act, event or circumstance not reasonably within its control; or

(B) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets (including any Disruption Event); breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action; or

(iv) having taken or having omitted to take any action under or in connection with any Finance Document, unless directly caused by the Facility Agent's gross negligence or wilful misconduct.

(b) No Party (other than the Facility Agent) may take any proceedings against any officer, employee or agent of the Facility Agent, in respect of any claim it might have against the Facility Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Facility Agent may rely on this Clause 28.10 subject to Clause 1.5 (*Third party rights*) and the provisions of the Third Parties Act.

(c) The Facility Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Facility Agent if the Facility Agent has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Facility Agent for that purpose.

(d) Nothing in this Agreement shall oblige the Facility Agent or the Mandated Lead Arranger to carry out:

(i) any "know your customer" or other checks in relation to any person; or

(ii) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Lender, on behalf of any Lender and each Lender confirms to each of the Facility Agent and the Mandated Lead Arranger that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Facility Agent or the Mandated Lead Arranger.

(e) Without prejudice to any provision of any Finance Document excluding or limiting the Facility Agent's liability, any liability of the Facility Agent arising under or in connection with any Finance Document or the Transaction Security shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Facility Agent or, if later, the date on which such loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Facility Agent at any time which increase the amount of that loss. In no event shall the Facility Agent be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Facility Agent has been advised of the possibility of such loss or damages.

28.11 **Lenders' indemnity to the Facility Agent**

(a) Each Lender shall (in the proportion determined in accordance with paragraph (b) below) indemnify the Facility Agent, within five Business Days of demand, against any cost, loss or liability (including for negligence or any other category of liability whatsoever) incurred by the Facility Agent (otherwise than by reason of the Facility Agent's gross negligence or wilful misconduct) (or, in the case of any cost, loss or liability pursuant to Clause 31.11 (*Disruption to payment systems etc.*) notwithstanding the Facility Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent in acting as Facility Agent under the Finance Documents), unless the Facility Agent has been reimbursed by a Total Transaction Obligor pursuant to a Finance Document in respect of such cost, loss or liability.

(b) Each Lender's proportion of such cost, loss or liability shall be:

(i) if any Loan is then outstanding, the proportion borne by (A) such Lender's aggregate participations in the Loan(s) then outstanding to (B) the aggregate amount of the Loans then outstanding;

(ii) if no Loan is then outstanding and the Available Facility in respect of any Facility is then greater than zero, the proportion borne by (A) the aggregate of such Lender's Available Commitments (in respect of any or all of the Facilities) to (B) the sum of the Available Facility in respect of each Facility; or

(iii) if no Loan is then outstanding and the Available Facility in respect of each Facility is then zero:

(A) if no Loan has been made, the proportion borne by (A) the aggregate of such Lender's Available Commitments in respect of any or all of the Facilities (immediately before the time when the Available Facility in respect of each Facility became zero) to (B) the sum of the Available Facility in respect of each Facility (immediately before the time when the Available Facility in respect of each Facility became zero); or

(B) if one or more Loan(s) have been made, the proportion borne by (A) the aggregate of such Lender's participations in the Loan(s) outstanding (immediately before the time when each Loan ceased to be outstanding) to (B) the aggregate amount of the Loans outstanding (immediately before the time when each Loan ceased to be outstanding).

(c) Subject to paragraph (d) below, the Borrower shall as soon as reasonably practicable on demand reimburse any Lender for any payment that Lender makes to the Facility Agent pursuant to paragraph (a) above.

(d) Paragraph (c) above shall not apply to the extent that the indemnity payment in respect of which the Lender claims reimbursement under paragraph (c) above relates to a liability of the Facility Agent to an Obligor.

28.12 **Resignation of the Facility Agent**

(a) The Facility Agent may resign and appoint one of its Affiliates as successor by giving notice to the Lenders and the Borrower.

(b) Alternatively the Facility Agent may resign by giving 30 days' notice to the Lenders and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Facility Agent.

(c) If the Majority Lenders have not appointed a successor Facility Agent in accordance with paragraph (b) above within 20 days after notice of resignation was given, the retiring Facility Agent (after consultation with the Borrower) may appoint a successor Facility Agent.

(d) If the Facility Agent wishes to resign because (acting reasonably) it has concluded that it is no longer appropriate for it to remain as Facility Agent and the Facility Agent is entitled to appoint a successor Facility Agent under paragraph (c) above, the Facility Agent may (if it concludes (acting reasonably) that it is necessary to do so in order to persuade the proposed successor Facility Agent to become a Party to this Agreement as Facility Agent) agree with the Borrower and the proposed successor Facility Agent amendments to this Clause 28 and any other term of this Agreement dealing with the rights or obligations of the Facility Agent consistent with the then current market practice for the appointment and protection of corporate trustees and those amendments will bind the Parties.

(e) The retiring Facility Agent shall, at its own cost, make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents. The Borrower shall, within five Business Days of written demand, reimburse the retiring Facility Agent for the amount of all reasonable and documented costs and expenses (including legal fees, subject to any agreed cap) properly incurred by it in making available such documents and records and providing such assistance.

(f) The Facility Agent's resignation notice shall only take effect upon the appointment of a successor Facility Agent.

(g) Upon the appointment of a successor Facility Agent, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (e) above) but shall remain entitled to the benefit of Clause 16.3 (*Indemnity to the Facility Agent*) and this Clause 28 (and any agency fees for the account of the retiring Facility Agent shall cease to accrue from (and shall be payable on) the date of such appointment of such successor Facility Agent). Any successor Facility Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor Facility Agent had been an original Party.

28.13 **Replacement of the Facility Agent**

(a) After consultation with the Borrower, the Majority Lenders may, by giving 30 days' notice to the Facility Agent (or, at any time the Facility Agent is an Impaired Agent, by giving any shorter notice determined by the Majority Lenders) replace the Facility Agent by appointing a successor Facility Agent.

(b) The retiring Facility Agent shall (at its own cost if it is an Impaired Agent and otherwise at the expense of the Lenders in the respective proportions referred to in Clause 28.11 (*Lenders' indemnity to the Facility Agent*)) make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.

(c) The appointment of the successor Facility Agent shall take effect on the date specified in the notice from the Majority Lenders to the retiring Facility Agent pursuant to paragraph (a). As from this date, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (b) above) but shall remain entitled to the benefit of Clause 16.3 (*Indemnity to the Facility Agent*) and this Clause 28 (and any agency fees for the account of the retiring Facility Agent shall cease to accrue from (and shall be payable on) that date).

(d) Any successor Facility Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

28.14 **Confidentiality**

(a) In acting as agent for the Finance Parties, the Facility Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.

(b) If information is received by another division or department of the Facility Agent, it may be treated as confidential to that division or department and the Facility Agent shall not be deemed to have notice of it.

(c) Notwithstanding any other provision of any Finance Document to the contrary, none of the Facility Agent or the Mandated Lead Arranger is obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty.

28.15 **Relationship with the Lenders**

(a) The Facility Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Facility Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:

(i) entitled to or liable for any payment due under any Finance Document on that day; and

(ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

(b) Any Lender may by notice to the Facility Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents. Such notice shall contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under Clause 33.1 (*Communications in writing*)) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of Clause 33.2 (*Addresses*) and of Clause 33.1 (*Communications in writing*) and the Facility Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

28.16 **Credit appraisal by the Lenders**

Without affecting the responsibility of any Total Transaction Obligor for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to each of the Facility Agent, the Security Agent and the Mandated Lead Arranger that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including:

(a) the financial condition, status and nature of each Total Transaction Obligor and each Group Member;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document, the Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document or the Transaction Security;

(c) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the Transaction Security, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;

(d) the adequacy, accuracy or completeness of the Base Case Model and any other information provided by the Facility Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by any Transaction Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document; and

(e) the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any of the Transaction Security or the existence of any Security affecting the Charged Property.

28.17 **Deduction from amounts payable by the Facility Agent**

If any Party owes an amount to the Facility Agent under the Finance Documents the Facility Agent may, after giving notice to that Party, deduct an amount not exceeding that first-mentioned amount from any payment to that Party which the Facility Agent would otherwise be obliged to make under the Finance Documents and apply the amount so deducted in or towards satisfaction of such first-mentioned amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

28.18 **Reliance and engagement letters**

Each of the Finance Parties and the Secured Parties confirms that each of the Mandated Lead Arranger, the Facility Agent and the Security Agent has authority to accept on its behalf (and ratifies the acceptance on its behalf of any letters or reports already accepted by any of the Mandated Lead Arranger, the Facility Agent or the Security Agent) the terms of any reliance letter or engagement letters relating to any reports or letters provided by accountants in connection with the Finance Documents or the transactions contemplated in the Finance Documents and to bind it in respect of those reports or letters and to sign such letters on its behalf and further confirms that it accepts the terms and qualifications set out in such letters.

29. CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of any Finance Document will:

(a) interfere with the right of any Finance Party to arrange its affairs (Tax or otherwise) in whatever manner it thinks fit;

(b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

(c) oblige any Finance Party to disclose any information relating to its affairs (Tax or otherwise) or any computations in respect of Tax.

30. SHARING AMONG THE FINANCE PARTIES

30.1 **Payments to Finance Parties**

If a Finance Party (a "**Recovering Finance Party**") receives or recovers any amount from or in respect of a Total Transaction Obligor (an "**Applicable Obligor**") other than in accordance with Clause 31 (*Payment mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

(a) that Recovering Finance Party shall, within three Business Days, notify details of that receipt or recovery, to the Facility Agent;

(b) the Facility Agent shall determine whether that receipt or recovery is in excess of the amount which that Recovering Finance Party would have been paid had that Recovered Amount been received or recovered by the Facility Agent and distributed in accordance with Clause 31 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Facility Agent in relation to such receipt, recovery or distribution; and

(c) that Recovering Finance Party shall, within three Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the "**Sharing Payment**") equal to the amount of such Recovered Amount less any amount which the Facility Agent determines may be retained by that Recovering Finance Party as its share of any payment to be made (by reference to such Recovered Amount had it been received or recovered and distributed by the Facility Agent) in accordance with Clause 31.6 (*Partial payments*).

30.2 **Redistribution of payments**

The Facility Agent shall treat such Sharing Payment as if it had been paid by such Applicable Obligor and distribute it between the Finance Parties (other than that Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 31.6 (*Partial payments*) towards the obligations owing to such Sharing Finance Parties.

30.3 **Recovering Finance Party's rights**

On a distribution by the Facility Agent under Clause 30.2 (*Redistribution of payments*), as between such Applicable Obligor and such Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by such Applicable Obligor (and such Applicable Obligor shall (or, if such Applicable Obligor is not party hereto, the Borrower shall) be liable to such Recovering Finance Party for a debt equal to such Sharing Payment, which debt is immediately due and payable).

30.4 **Reversal of redistribution**

To the extent that any part of such Recovered Amount received or recovered by such Recovering Finance Party (which Recovered Amount gives rise to any Sharing Payment) becomes repayable and is repaid by that Recovering Finance Party, then:

(a) each Sharing Finance Party shall, upon request of the Facility Agent, pay to the Facility Agent for the account of that Recovering Finance Party an amount equal to (i) its share of such Sharing Payment (which is attributable to such Recovered Amount so repayable and repaid by that Recovering Finance Party) and (ii) an amount as is necessary to reimburse that Recovering Finance Party for its share of any interest on such Recovered Amount (to which such Sharing Payment is attributable) which that Recovering Finance Party is required to pay ((i) and (ii) being collectively the "**Redistributed Amount**"); and

(b) as between such Applicable Obligor and each Sharing Finance Party, an amount equal to such Redistributed Amount will be treated as not having been paid by that Applicable Obligor (and such Applicable Obligor shall (or, if such Applicable Obligor is not party hereto, the Borrower shall) be liable to such Sharing Finance Party for a debt equal to such Redistributed Amount, which debt is immediately due and payable.

30.5 **Exceptions**

(a) This Clause 30 shall not apply to the extent that such Recovering Finance Party would not, after making any payment pursuant to this Clause 30, have a valid and enforceable claim against such Applicable Obligor (if such Applicable Obligor is party hereto) or the Borrower as contemplated by Clause 30.3 (*Recovering Finance Party's rights*) or paragraph (b) of Clause 30.4 (*Reversal of redistribution*) (if such Applicable Obligor is not party hereto).

(b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which that Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:

(i) it notified that other Finance Party of such legal or arbitration proceedings; and

(ii) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

31. PAYMENT MECHANICS

31.1 Payments to the Facility Agent

(a) On each date on which an Obligor or a Lender is required to make a payment under a Finance Document, that Obligor or Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the currency (of such payment) in the place of payment.

(b) Such payment shall be made to such account in the principal financial centre of the country of that currency and with such bank as the Facility Agent, in each case, specifies.

(c) Each payment of any amount made by any Total Transaction Obligor to the Facility Agent in accordance with any Finance Document (including paragraph (a) above) is made to the Facility Agent for and on behalf of each Finance Party to whom such amount is owing. The payment of any such amount to the Facility Agent shall not in any way affect or prejudice the separate and independent nature of the debt owing to each such Finance Party, which may be enforced individually by each such Finance Party in the event that all or part of such debt remains unpaid when due.

31.2 Distributions by the Facility Agent

(a) Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 28.17 (*Deduction from amounts payable by the Facility Agent*), Clause 31.3 (*Distributions to an Obligor*), Clause 31.4 (*Clawback and pre-funding*), Clause 31.6 (*Partial payments*) and the Security Trust Agreement, be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive such payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Facility Agent by not less than five Business Days' notice with a bank specified by that Party in the principal financial centre of the country of the currency of such payment.

(b) The Facility Agent shall distribute payments received by it in relation to all or any part of any Loan to the Lenders indicated in the records of the Facility Agent as being so entitled on that date **provided that** the Facility Agent is authorised to distribute payments to be made on the date on which any assignment or transfer by any Lender and any increase or assumption in Commitment(s) in respect of any Facility becomes effective pursuant to Clause 25 (*Changes to the Lenders*), Clause 2.2 (*Increase*) or Clause 2.5 (*Incremental Facilities*) to the Lenders so entitled immediately before such assignment, transfer, increase or assumption took place regardless of the period to which such payments relate.

31.3 Distributions to an Obligor

The Facility Agent may (with the prior written consent of the Obligor referred to below or in accordance with Clause 32 (*Set-off*)) apply any amount received by it for an Obligor in or towards payment (on the date and in the currency and funds of receipt) of any amount due from that Obligor under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

31.4 **Clawback and pre-funding**

(a) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.

(b) Unless paragraph (c) below applies, the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

(c) If the Facility Agent has notified the Lenders that it is willing to make available amounts for the account of the Borrower (in respect of any Loan to be made to the Borrower) ("**Pre-funding Amount**") before receiving funds from the Lenders in respect of such Loan, then if and to the extent that the Facility Agent does so but it proves to be the case that it does not then receive such funds from a Lender in respect of any such Pre-funding Amount which it paid to the Borrower:

(i) the Facility Agent shall notify the Borrower of that Lender's identity and the Borrower shall on demand refund such Pre-funding Amount to the Facility Agent; and

(ii) the Lender by whom those funds should have been made available or, if that Lender fails to do so, the Borrower shall on demand pay to the Facility Agent the amount (as certified by the Facility Agent) which will indemnify the Facility Agent against any funding cost incurred by it as a result of paying out that Pre-funding Amount before receiving those funds from that Lender.

31.5 **Impaired Agent**

(a) If, at any time, the Facility Agent becomes an Impaired Agent, an Obligor or a Lender which is required to make a payment under the Finance Documents to the Facility Agent for the account of any person in accordance with Clause 31.1 (*Payments to the Facility Agent*) may instead either:

(i) pay that amount direct to that person; or

(ii) if in its absolute discretion it considers that it is not reasonably practicable to pay that amount direct to that person, pay that amount (or the relevant part of that amount payable to that person) to an interest-bearing account held with an Acceptable Bank within the meaning of paragraph (a) of the definition of "Acceptable Bank" and in relation to which no Insolvency Event has occurred and is continuing, in the name of the Obligor or the Lender making that payment (the "**Paying Party**") and designated as a trust account for the benefit of the Party or Parties beneficially entitled to that payment under the Finance Documents (the "**Recipient Party**" or "**Recipient Parties**"),

in each case such payment must be made on the due date for payment under the Finance Documents.

(b) All interest accrued on any amount standing to the credit of that trust account shall be for the benefit of such Recipient Party or such Recipient Parties *pro rata* to their respective entitlements of such amount.

(c) A Party which has made a payment in accordance with this Clause 31.5 in respect of any amount payable to any Recipient Party or Recipient Parties under any Finance Document shall be discharged of the obligation to make such payment to such Recipient Party or such Recipient Parties under the Finance Documents and shall not take any credit risk with respect to the amounts standing to the credit of the trust account.

(d) Promptly upon the appointment of a successor Facility Agent in accordance with Clause 28.13 (*Replacement of the Facility Agent*), each Paying Party that has made any payment to a trust account in accordance with this Clause 31.5 in respect of any amount payable to any Recipient Party or Recipient Parties under any Finance Document shall (other than to the extent that that Party has given an instruction pursuant to paragraph (e) below with respect to such trust account) give all requisite instructions to the bank with whom such trust account is held to transfer the amount of such payment (together with any accrued interest) to the successor Facility Agent for distribution to such Recipient Party or Recipient Parties in accordance with Clause 31.2 (*Distributions by the Facility Agent*).

(e) A Paying Party that has made a payment into a trust account (on account of any amount payable by such Paying Party to a Recipient Party) in accordance with this Clause 31.5 shall, promptly upon request by that Recipient Party and to the extent:

(i) that it has not given an instruction pursuant to paragraph (d) above (with respect to such trust account); and

(ii) that it has been provided with the necessary information by that Recipient Party,

give all requisite instructions to the bank with which that trust account is held to transfer the amount of such payment so paid into and held in such trust account (together with any accrued interest thereon) to that Recipient Party.

31.6 **Partial payments**

(a) Subject to paragraphs (b) and (c) below and the provisions of the Security Trust Agreement, if the Facility Agent receives or recovers a payment for application against amounts due in respect of any Finance Documents from a Total Transaction Obligor that is insufficient to discharge all the amounts then due and payable by that Total Transaction Obligor and/or (if different) the Borrower under those Finance Documents, the Facility Agent shall apply that payment towards the obligations of that Total Transaction Obligor and/or (if different) the Borrower under those Finance Documents in the following order:

(i) **first**, in or towards payment *pro rata* of any unpaid amount owing to the Facility Agent and/or the Security Agent and/or the Mandated Lead Arranger under the Finance Documents;

(ii) **secondly**, in or towards payment *pro rata* of any accrued interest, fee or commission due but unpaid under the Finance Documents;

(iii) **thirdly**, in or towards payment *pro rata* of any principal due but unpaid under the Finance Documents; and

(iv) **fourthly,** in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents,

provided that (in the case where such payment so received by the Facility Agent is a payment under any Guarantee or Transaction Security Document governed by the laws of the PRC or granted by a Total Transaction Obligor that is incorporated or established in the PRC) to the extent that the extension of the benefit of such Guarantee or security under such Transaction Security Document to amounts owing in respect of any Incremental Facility is subject to the obtaining or effecting of any Authorisation in the PRC, then for so long as such Authorisation has not been obtained or effected, such payment shall not be applied towards any amount owing or due in respect of such Incremental Facility (and, for the purposes of the application of such payment by the Facility Agent pursuant to this paragraph (a), any amount owing or due in respect of such Incremental Facility shall be deemed not to be owing or due).

(b) Subject to the provisions of the Security Trust Agreement, if the Facility Agent receives or recoveries a payment for application against amounts due in respect of any Finance Documents from a Total Transaction Obligor that is insufficient to discharge all the amounts then due and payable by that Total Transaction Obligor and/or (if different) the Borrower under those Finance Documents and such payment is received or recovered from the Distribution Account (or any proceeds of enforcement of Transaction Security over the Distribution Account or enforcement of any rights under the Distribution Account Charge), the Facility Agent shall apply that payment towards the obligations of that Total Transaction Obligor and/or (if different) the Borrower under those Finance Documents in the following order:

(i) **first**, in or towards payment *pro rata* of any unpaid amount owing to the Facility Agent and/or the Security Agent under the Finance Documents (which unpaid amount relates to the recovery of such payment in respect of the Distribution Account or such enforcement of Transaction Security over the Distribution Account or enforcement of rights under the Distribution Account Charge);

(ii) **secondly**, in or towards payment *pro rata* of any accrued interest, fee or commission due but unpaid under Facility B;

(iii) **thirdly**, in or towards payment *pro rata* of any principal due but unpaid under Facility B; and

(iv) **fourthly,** in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents (that constitutes Senior Facility B Liabilities (as defined in the Security Trust Agreement)).

(c) Subject to the provisions of the Security Trust Agreement, if the Facility Agent receives or recovers a payment for application against amounts due in respect of any Finance Documents from an Onshore Guarantor under or pursuant to the Guarantee (WOFE Guarantor) or the Guarantee (VIE Entity) that is insufficient to discharge all the amounts then due and payable by that Onshore Guarantor and/or (if different) the Borrower under those Finance Documents, the Facility Agent shall apply that payment towards the obligations of that Onshore Guarantor and/or (if different) the Borrower under those Finance Documents in the following order:

(i) **first**, in or towards payment *pro rata* of any unpaid amount owing to the Facility Agent and/or the Security Agent and/or the Mandated Lead Arranger under the Finance Documents;

(ii) **secondly**, in or towards payment *pro rata* of any accrued interest, fee or commission due but unpaid under the Finance Documents (excluding any interest relating to any Facility B Loan);

(iii) **thirdly**, in or towards payment *pro rata* of any principal due but unpaid under the Finance Documents (excluding any principal in respect of any Facility B Loan); and

(iv) **fourthly,** in or towards payment *pro rata* of any other sum due but unpaid under the Finance Documents (excluding any principal or interest in respect of or relating to any Facility B Loan),

provided that to the extent that the extension of the benefit of such Guarantee to amounts owing in respect of any Incremental Facility is subject to the obtaining or effecting of any Authorisation in the PRC, then for so long as such Authorisation has not been obtained or effected, such payment shall not be applied towards any amount owing or due in respect of such Incremental Facility (and, for the purposes of the application of such payment by the Facility Agent pursuant to this paragraph (c), any amount owing or due in respect of such Incremental Facility shall be deemed not to be owing or due).

(d) The Facility Agent shall:

(i) if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (a)(iv) and/or paragraphs (c)(ii) to (c)(iv) above; and

(ii) if so directed by each of the Lenders that has any Facility B Commitment or any participation in any Facility B Loan, vary the order set out in paragraphs (b)(ii) and (b)(iii) above.

(e) Paragraphs (a) and (b) above will override any appropriation made by any Total Transaction Obligor.

31.7 **Set-off by Obligors**

All payments to be made by an Obligor under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

31.8 **Business Days**

(a) Any payment under the Finance Documents which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal or Unpaid Sum pursuant to paragraph (a), interest is payable on such principal or Unpaid Sum at the rate payable on the original due date.

31.9 **Currency of account**

(a) Subject to paragraphs (b) to (e) below, USD is the currency of account and payment for any sum due from an Obligor under any Finance Document.

(b) A repayment of any Loan or any Unpaid Sum or a part of any Loan or any Unpaid Sum shall be made in the currency in which that Loan or that Unpaid Sum is denominated, pursuant to this Agreement or the applicable Finance Document, on its due date.

(c) Each payment of interest shall be made in the currency in which the sum in respect of which that interest is payable was denominated, pursuant to this Agreement or the applicable Finance Document, when that interest accrued.

(d) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which such costs, expenses or Taxes are incurred.

(e) Any amount expressed to be payable in a currency other than USD shall be paid in that other currency.

31.10 **Change of currency**

(a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

(i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Facility Agent (after consultation with the Borrower); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Facility Agent (acting reasonably).

(b) If a change in any currency of a country occurs, this Agreement will, to the extent the Facility Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect that change in currency.

31.11 **Disruption to payment systems etc.**

If either the Facility Agent determines (in its discretion) that a Disruption Event has occurred or the Facility Agent is notified by the Borrower that a Disruption Event has occurred:

(a) the Facility Agent may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of any Facility as the Facility Agent may deem necessary in the circumstances;

(b) the Facility Agent shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) above if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;

(c) the Facility Agent may consult with the Finance Parties in relation to any changes mentioned in paragraph (a) above but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;

(d) any such changes agreed upon by the Facility Agent and the Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 37 (*Amendments and waivers*);

(e) the Facility Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 31.11; and

(f) the Facility Agent shall notify the Finance Parties of all changes agreed pursuant to paragraph (d) above.

32. SET-OFF

A Finance Party may, upon or after the occurrence of an Event of Default which is continuing, set off any matured obligation due from an Obligor under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor, regardless of the place of payment, booking branch or currency of either obligation. If such obligations are in different currencies, such Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of such set-off.

33. NOTICES

33.1 Communications in writing

Any communication to be made by a Party to another Party under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter or electronic mail ("**email**") (including scanned signed document where such document is required by the Finance Documents or the Facility Agent to bear a signature or other attachments), fax or letter.

33.2 Addresses

The email address, address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

(a) in the case of the Borrower, that identified with its name in the signature pages to the Amendment and Restatement Agreement;

(b) in the case of any Lender or any other Obligor, that notified in writing to the Facility Agent on or prior to the date on which it becomes a Party; and

(c) in the case of the Facility Agent or the Security Agent, that identified with its name in the signature pages to the Amendment and Restatement Agreement,

or any substitute email address, address, fax number or department or officer as that Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five Business Days' notice.

33.3 **Delivery**

(a) Any communication or document made or delivered by one Party to another Party under or in connection with the Finance Documents will be effective:

(i) if by way of email, only when received in legible form by at least one of the relevant email addresses of such Party to whom such communication or document is to be made or delivered;

(ii) if by way of posting by any Party on a Designated Website pursuant to Clause 33.5 (*Use of websites*), one Business Day after such posting;

(iii) if by way of fax, only when received in legible form; or

(iv) if by way of letter, only when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and (in the case of any of paragraphs (i), (iii) and (iv) above) if a particular department or officer is specified as part of its address details provided under Clause 33.2 (*Addresses*), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Facility Agent or the Security Agent will be effective only when actually received by the Facility Agent or Security Agent and then only if it is sent to the correct fax number or email address(es) or, in the case of a letter, expressly marked for the attention of the department or officer identified with the Facility Agent's or, as the case may be, the Security Agent's signature below (or any substitute department or officer as the Facility Agent or, as the case may be, the Security Agent shall specify for this purpose).

(c) Subject to Clause 33.4 (*Communication when Facility Agent is Impaired Agent*), all notices from or to an Obligor to or by another Party under or in connection with the Finance Documents shall be sent through the Facility Agent.

(d) Any communication or document made or delivered to the Borrower in accordance with this Clause 33.3 will be deemed to have been made or delivered to each of the Obligors.

(e) Any communication or document which becomes effective, in accordance with paragraphs (a) to (d) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

33.4 **Communication when Facility Agent is Impaired Agent**

If the Facility Agent is an Impaired Agent, (a) the Parties may, instead of communicating with each other through the Facility Agent, communicate with each other directly and (b) (while the Facility Agent is an Impaired Agent) all the provisions of the Finance Documents which require communications to be made or notices to be given to or by the Facility Agent shall be varied so that communications may be made and notices given to or by the relevant Parties directly. This provision shall not operate after a replacement Facility Agent has been appointed to replace such Impaired Agent.

33.5 **Use of websites**

(a) The Borrower may satisfy its obligation under this Agreement to deliver any information in relation to those Lenders (the "**Website Lenders**") who accept this method of communication by posting such information onto an electronic website designated by the Borrower and the Facility Agent (the "**Designated Website**") if:

(i) the Facility Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of such information by this method;

(ii) both the Borrower and the Facility Agent are aware of the address of and any relevant password specifications for the Designated Website; and

(iii) such information is in a format previously agreed between the Borrower and the Facility Agent.

If any Lender (a "**Paper Form Lender**") does not agree to the delivery of information electronically then the Facility Agent shall notify the Borrower accordingly and the Borrower shall at its own cost supply such information to the Facility Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event the Borrower shall at its own cost supply the Facility Agent with at least one copy in paper form of any information required to be provided by it.

(b) The Facility Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Borrower and the Facility Agent.

(c) The Borrower shall promptly upon becoming aware of its occurrence notify the Facility Agent if:

(i) the Designated Website cannot be accessed due to technical failure;

(ii) the password specifications for the Designated Website change;

(iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;

(iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or

(v) the Borrower becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.

If the Borrower notifies the Facility Agent under paragraph (c)(i) or (c)(v) above, all information to be provided by the Borrower under this Agreement after the date of that notice shall be supplied in paper form unless and until the Facility Agent and each Website Lender is satisfied that the circumstances giving rise to that notification are no longer continuing.

(d) Any Website Lender may request, through the Facility Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. The Borrower shall at its own cost comply with any such request within 10 Business Days.

33.6 **English language**

(a) Any notice given under or in connection with any Finance Document must be in English.

(b) All other documents provided under or in connection with any Finance Document must be:

(i) in English; or

(ii) if not in English, and if so required by the Facility Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

34. CALCULATIONS AND CERTIFICATES

34.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

34.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates, **provided that** such certification or determination shall set out the basis of the applicable calculation in reasonable detail.

34.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

35. PARTIAL INVALIDITY

If, at any time, any provision of a Finance Document is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

36. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party or Secured Party, any right or remedy under a Finance Document shall operate as a waiver of any such right or remedy or constitute an election to affirm any Finance Document. No waiver or election to affirm any Finance Document on the part of any Finance Party or Secured Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in each Finance Document are cumulative and not exclusive of any rights or remedies provided by law.

37. AMENDMENTS AND WAIVERS

37.1 Security Trust Agreement

This Clause 37 is subject to the terms of the Security Trust Agreement.

37.2 Required consents

(a) Subject to Clause 37.3 (*All Lender matters*), Clause 37.4 (*Other exceptions*) and paragraph (j) of Clause 2.5 (*Incremental Facilities*), any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the Borrower and any such amendment or waiver will be binding on all Parties.

(b) The Facility Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 37.

(c) Each Obligor agrees to any such amendment or waiver permitted by this Clause 37 which is agreed to by the Borrower. This includes any amendment or waiver which would, but for this paragraph (c), require the consent of any or all of the Guarantors.

37.3 All Lender matters

(a) An amendment, waiver or (in the case of a Transaction Security Document) a consent of, or in relation to, any term of any Finance Document that has the effect of changing or which relates to:

(i) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);

(ii) any change to any requirement that a cancellation of Commitments (in respect of any Facility) reduces the Commitments of the Lenders (in respect of such Facility) rateably;

(iii) a change to an Obligor (other than in accordance with Clause 27 (*Changes to the Obligors*)) or a change to any other Total Transaction Obligor;

(iv) any provision which expressly requires the consent of all the Lenders;

(v) Clause 2.3 (*Finance Parties' rights and obligations*), Clause 2.5 (*Incremental Facilities*), Clause 8 (*Mandatory prepayment and cancellation*) (insofar as it relates to any VIE Termination Event or Change of Control), Clause 9.9 (*Application of prepayments*), Clause 25 (*Changes to the Lenders*), Clause 26 (*Debt Purchase Transactions*), Clause 30 (*Sharing among the Finance Parties*), this Clause 37, Clause 40 (*Governing law*) or Clause 41.1 (*Jurisdiction*);

(vi) any amendment to the order of priority or subordination under the Security Trust Agreement;

(vii) (other than as expressly permitted by the provisions of any Finance Document) the nature or scope of:

(A) any guarantee and/or indemnity granted under Clause 19 (*Guarantee and indemnity*) or any other Guarantee;

(B) any Transaction Security or Charged Property; or

(C) the manner in which the proceeds of enforcement of any Transaction Security are distributed,

(except in the case of paragraph (vii)(B) or (C) above, insofar as it relates to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is permitted under this Agreement or any other Finance Document);

(viii) the release of any guarantee and/or indemnity granted under Clause 19 (*Guarantee and indemnity*) or any other Guarantee or of any Transaction Security unless permitted under this Agreement or any other Finance Document or relating to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is permitted under this Agreement or any other Finance Document;

(ix) any change to any term of any Finance Document relating to the release of any guarantee or indemnity granted under Clause 19 (*Guarantee and indemnity*) or any other Guarantee or of any Transaction Security; or

(x) any increase in the principal amount of Secured Obligations that have the benefit of any Transaction Security,

shall not be made, or given, without the prior consent of all the Lenders.

(b) Without prejudice to paragraph (a), an amendment or waiver that has the effect of changing or which relates to:

(i) any increase in the principal amount of any Incremental Facility (other than any increase which would have been permitted under Clause 2.5 (*Incremental Facilities*) had it constituted the establishment of a new Incremental Facility, **provided that** (A) for the purposes of determining the compliance of such increase with paragraph (d)(i) of Clause 2.5 (*Incremental Facilities*), the Most Recent Relevant Period referred to therein shall be deemed to be the Most Recent Relevant Period as at the date of such increase and (B) for the purposes of any and all calculations under paragraphs (d)(i) of Clause 2.5 (*Incremental Facilities*) (including any such calculation with respect to the establishment of any further Incremental Facility upon or after such increase), such increase in the principal amount of any Incremental Facility shall be treated as the establishment of an additional Incremental Facility and the amount of such increase shall be taken into account in all such calculations); or

(ii) any Incremental Facility where following such amendment or waiver:

(A) such Incremental Facility would not or would cease to comply with any of the requirements under Clause 2.5 (*Incremental Facilities*) (including any of paragraphs (d)(ii) to (vii) of Clause 2.5 (*Incremental Facilities*)); or

(B) such Incremental Facility would mature earlier than the Termination Date or have a Weighted Average Life to Maturity that is shorter than the then remaining Weighted Average Life to Maturity of Facility A,

may not be made without the prior consent of each Lender that has any Commitment in respect of the Term Facilities or any participation in a Term Loan.

37.4 **Other exceptions**

(a) In addition to Clause 37.2 (*Required consents*), an amendment or waiver which relates to the rights or obligations of the Facility Agent, the Mandated Lead Arranger, the Security Agent or a Hedge Counterparty (each in its capacity as such) may not be effected without the consent of the Facility Agent, the Mandated Lead Arranger, the Security Agent or, as the case may be, that Hedge Counterparty.

(b) If any amendment, waiver or consent of, or in relation to, any Finance Document is or relates to:

(i) any increase in or addition of any Commitment or the Total Commitments, or any extension of the Availability Period (in respect of any Facility), the redenomination of any Commitment in respect of any Facility into another currency;

(ii) any extension of the date for, or maturity of, or redenomination or change in currency of, or a reduction of, any amount (including any principal, interest, fee or commission) owing, accruing or payable under any of the Finance Documents (including any reduction in the Margin);

(iii) the introduction of any additional tranche or facility under the Finance Documents (whether ranking junior or pari passu to any of the Facilities);

(iv) a waiver or reduction of any mandatory prepayment that is due; or

(v) any changes to the Finance Documents that are consequential on, incidental to or required to implement or reflect any of the foregoing,

that amendment, waiver or consent may be made with the consent of the Borrower and

(a) each Lender (i) that assumes any commitment or an increased commitment in the relevant additional tranche or facility, (ii) any of whose commitment is being increased, extended or redenominated or the Availability Period applicable to any Facility in which such Lender participates is extended, (iii) to whom any amount is owing, accruing or payable which is being reduced, deferred, redenominated (or the currency of which is being changed) or waived, pursuant to any of paragraphs (b)(i) to (b)(v) above (as the case may be) (each an "**Affected Lender**"); and

(b) the Majority Lenders (for which purpose the existing Commitments of each Affected Lender in respect of each Facility will be taken into account, together with the Commitments of the other Lenders in respect of each Facility).

37.5 **Excluded Commitments**

If any Lender (including a Defaulting Lender) fails to respond to a request for a consent, waiver, amendment of or in relation to any term of any Finance Document or any other vote of Lenders under the terms of this Agreement within 20 Business Days of that request being made (unless, in either case, the Borrower and the Facility Agent agree to a longer time period in relation to any request) or abstains from accepting or rejecting such a request within such period:

(a) its Commitment in respect of any Facility and/or participation in any Loan under any Facility shall not be included for the purpose of calculating the Total Commitments and/or the Commitments or Available Commitments of the Lenders under any or all of the Facilities and/or the Loan(s) or any participation therein when ascertaining whether the consent of Lender(s) holding any relevant percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments, the Commitments or Available Commitments (in respect of any or all of the Facilities) and/or participations in any or all of the Loan(s) has been obtained to approve that request; and

(b) its status as a Lender shall be disregarded for the purpose of ascertaining whether the agreement of the Lenders or any group of Lenders has been obtained to approve that request.

37.6 **Replacement of Lender**

(a) If at any time:

(i) any Lender becomes a Non-Consenting Lender (as defined in paragraph (e) below);

(ii) any Lender has become and continues to be a Defaulting Lender; or

(iii) the Borrower becomes obliged to repay any amount in accordance with Clause 7.1 (*Illegality*) or to pay any amount pursuant to Clause 15.1 (*Increased costs*), paragraph (c) of Clause 14.2 (*Tax gross-up*) or Clause 14.3 (*Tax indemnity*) to any Lender,

(such Lender being a "**Replaced Lender**") then the Borrower may, on five Business Days' prior written notice to the Facility Agent and such Replaced Lender:

(A) replace such Replaced Lender by requiring such Replaced Lender to (and, to the extent permitted by law, such Replaced Lender shall) transfer pursuant to Clause 25 (*Changes to the Lenders*) all (and not part only) of its rights and obligations under this Agreement to a Lender or other bank, financial institution, trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (that is not any Total Transaction Obligor, any Group Member, any Affiliate of any of the foregoing or any Sponsor Affiliate) (a "**Replacement Lender**") selected by the Borrower and which confirms (x) its willingness to assume and does assume all the obligations of such Replaced Lender in accordance with Clause 25 (*Changes to the Lenders*) and (y) (in the case where such Replaced Lender is a Non-Consenting Lender) its consent or agreement to the applicable consent, waiver or amendment (that is the subject of the applicable Non-Consenting Event which constitutes such Replaced Lender as a Non-Consenting Lender) for a purchase price in cash (without deduction or withholding) payable at the time of such transfer in an amount equal to the aggregate of the outstanding principal amount of such Replaced Lender's participation in each of the Loans and all accrued interest (whether or not due) and other costs, expenses and other amounts payable in relation thereto or outstanding in favour of such Replaced Lender under the Finance Documents and the amount of Break Costs that would have been payable under Clause 12.4 (*Break Costs*) had all of such Replaced Lender's participation in each of the Loans, such accrued interest and such other costs, expenses and other amounts been paid by the Obligors to such Replaced Lender at the time of such transfer and had a demand been made under Clause 12.4 (*Break Costs*) in connection therewith; or

(B) (in the case of (i) or (ii)) prepay all (but not part) of that Lender's participation in each of the outstanding Loans in full, together with accrued interest thereon, all applicable Break Costs and all other costs, expenses and other amounts payable in relation to such prepayment or outstanding in favour of such Replaced Lender under the Finance Documents, provided that such prepayment is entirely funded from the proceeds of Acceptable Funding Sources that have not been applied towards any other purpose.

For the avoidance of doubt, no Lender shall have any obligation to agree to be a Replacement Lender.

(b) In the event that the Borrower elects to replace such Replaced Lender in accordance with paragraph (a)(A), if the conditions under paragraph (c) are satisfied with respect to such replacement and the applicable purchase price in respect of such replacement (as contemplated under paragraph (a)(A)) has been paid in full in favour of such Replaced Lender but such Replaced Lender fails to execute the applicable Transfer Certificate to give effect to the transfer of its rights and obligations under this Agreement to the applicable Replacement Lender pursuant to paragraph (a)(A) for the purposes of such replacement, the Borrower shall have the right to execute such Transfer Certificate on behalf of such Replaced Lender, and such Transfer Certificate so executed by the Borrower on behalf of such Replaced Lender shall be binding on such Replaced Lender.

(c) The replacement of a Replaced Lender pursuant to this Clause 37.6 shall be subject to the following conditions:

(i) the Borrower shall have no right to replace the Facility Agent or Security Agent;

(ii) neither the Facility Agent nor such Replaced Lender shall have any obligation to the Borrower to find a Replacement Lender;

(iii) in the event of a replacement of a Non-Consenting Lender, such replacement must take place no later than 30 Business Days after the date on the Non-Consenting Event constituting such Replaced Lender a Non-Consenting Lender first arose;

(iv) in the event of a replacement of a Defaulting Lender, such replacement must take place no later than 30 Business Days after the date on which that Lender is deemed a Defaulting Lender;

(v) in no event shall such Replaced Lender be required to pay or surrender to such Replacement Lender any of the fees received by such Replaced Lender pursuant to the Finance Documents; and

(vi) such Replaced Lender shall only be obliged to transfer its rights and obligations under this Agreement pursuant to paragraph (a) above once each of it, the Facility Agent and the Security Agent are satisfied that they have complied with all necessary "know your customer" or other similar checks under all applicable laws and regulations in relation to that transfer and if the documentation in relation to that transfer is based on standard form LMA transfer documentation (and as otherwise prescribed by Clause 25 (*Changes to the Lenders*));

(d) A Replaced Lender shall perform the checks described in paragraph (c)(vi) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (a) above and shall notify the Facility Agent and the Borrower when it is satisfied that it has complied with those checks.

(e) In the event that:

(i) the Borrower or the Facility Agent (at the request of the Borrower) has requested the Lenders to give a consent in relation to, or to agree to a waiver or amendment of, any provisions of the Finance Documents;

(ii) such consent, waiver or amendment in question requires the approval of all the Lenders; and

(iii) the Majority Lenders have given such consent or agreed to such waiver or amendment,

then any Lender who does not and continues not to give such consent or agree to such waiver or amendment shall be deemed a "**Non-Consenting Lender**" (and such event or circumstance shall be referred to as a "**Non-Consenting Event**").

37.7 **Disenfranchisement of Defaulting Lenders**

(a) For so long as a Defaulting Lender has any Available Commitment in respect of any Facility, in ascertaining:

(i) the Majority Lenders; or

(ii) whether:

(A) the agreement of the Lenders holding any given percentage (including, for the avoidance of doubt, unanimity) of the Total Commitments or the Commitments or Available Commitments of the Lenders in respect of any or all of the Facilities; or

(B) the agreement of the Lenders or any group of Lenders,

has been obtained to approve any request for a consent, waiver, amendment or other vote of Lenders under the Finance Documents, that Defaulting Lender's Commitment in respect of such Facility will (for such purpose) be deemed to have been reduced by the amount of its Available Commitment for such Facility and, to the extent that that reduction results in that Defaulting Lender's Commitment of each Facility being zero, that Defaulting Lender shall be deemed not to be a Lender for the purposes of paragraphs (a)(i) and (a)(ii) above.

(b) For the purposes of this Clause 37.7, the Facility Agent may assume that the following Lenders are Defaulting Lenders:

(i) any Lender which has notified the Facility Agent that it has become a Defaulting Lender; and

(ii) any Lender in relation to which it is aware that any of the events or circumstances referred to in paragraph (a), (b) or (c) of the definition of "Defaulting Lender" has occurred,

unless the Facility Agent has received notice to the contrary from the Lender concerned (together with any supporting evidence reasonably requested by the Facility Agent), or the Facility Agent is otherwise aware, that the Lender concerned has ceased to be a Defaulting Lender.

38. CONFIDENTIALITY

38.1 Confidential Information

Each Finance Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 38.2 (*Disclosure of Confidential Information*), and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information.

38.2 Disclosure of Confidential Information

Any Finance Party may disclose:

(a) to any of its Affiliates (and for the avoidance of doubt, its head offices, branches, representative offices) and Related Funds and any of its or their respective officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom such Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if such recipient is subject to professional obligations to maintain the confidentiality of such Confidential Information or is otherwise bound by requirements of confidentiality in relation to such Confidential Information;

(b) to any person:

(i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents and to any of that person's Affiliates, Related Funds, or any Representatives or professional advisers of any of the foregoing;

(ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, (A) any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and/or one or more Total Transaction Obligors or (B) any Participation Agreement, or to any of that person's Affiliates, Related Funds, or any Representatives or professional advisers of any of the foregoing;

(iii) appointed by any Finance Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including any person appointed under paragraph (b) of Clause 28.15 (*Relationship with the Lenders*));

(iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (i) or (ii) above;

(v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;

(vi) to whom information is required to be disclosed in connection with, and/or for the purposes of, any litigation, arbitration, administrative, regulatory or other investigations, proceedings or disputes;

(vii) for the purposes of or in connection with the preservation (through obtaining or effecting any Authorisation) or enforcement of any Transaction Security;

(viii) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 25.9 (*Security over Lenders' rights*);

(ix) who is a Party; or

(x) with the consent of any Transaction Obligor;

in each case, such Confidential Information (including, for the avoidance of doubt, a copy of any Finance Document and any information which that Finance Party has acquired under or in connection with any Finance Document) as that Finance Party shall consider appropriate if:

(A) in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom such Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if such person is a professional adviser and is subject to professional obligations to maintain the confidentiality of such Confidential Information;

(B) in relation to paragraph (b)(iv) above, the person to whom such Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;

(C) in relation to paragraphs (b)(vi), (b)(vii) and (b)(viii) above, the person to whom such Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;

(c) to any person appointed by that Finance Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if such service provider to whom such Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of the LMA Master Confidentiality Undertaking for Use With Administration/Settlement Service Providers (which confidentiality agreement shall be also be addressed in favour of the Borrower) or such other form of confidentiality undertaking agreed between the Borrower and that Finance Party; and

(d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Total Transaction Obligors.

38.3 **Entire agreement**

This Clause 38 constitutes the entire agreement between the Parties in relation to the obligations of the Finance Parties under the Finance Documents regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

38.4 **Inside information**

Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

38.5 **Notification of disclosure**

Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrower:

(a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(v) of Clause 38.2 (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

(b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 38.

38.6 **Continuing obligations**

The obligations in this Clause 38 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of 12 months from the earlier of:

(a) the date on which all amounts payable by the Total Transaction Obligors under or in connection with the Finance Documents have been paid in full and none of the Finance Parties is under any actual or contingent obligation to make available any advance or financial accommodation under any Finance Document; and

(b) the date on which such Finance Party otherwise ceases to be a Finance Party.

39. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures and/or execution on such counterparts were on a single copy of that Finance Document.

SECTION 12
GOVERNING LAW AND ENFORCEMENT

40. **GOVERNING LAW**

This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

41. **ENFORCEMENT**

41.1 **Jurisdiction**

(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute relating to the existence, validity or termination of this Agreement or any non-contractual obligation arising out of or in connection with this Agreement) (a "**Dispute**").

(b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

(c) This Clause 41.1 is for the benefit of the Finance Parties and the Secured Parties only. As a result, no Finance Party or Secured Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties and the Secured Parties may take concurrent proceedings in any number of jurisdictions.

41.2 **Service of process**

(a) Without prejudice to any other mode of service allowed under any relevant law, the Parent, each of the Obligors:

(i) irrevocably appoints Maples Fiduciary Services (UK) Limited at 200 Aldersgate Street, 11th Floor, London, EC1A 4HD, United Kingdom as its agent for service of process in relation to any proceedings before the courts of England in connection with any Finance Document; and

(ii) agrees that failure by an agent for service of process to notify such Obligor of any such process will not invalidate the proceedings concerned.

(b) If any person appointed as an agent for service of process in respect of any Obligor is unable for any reason to act as agent for service of process in respect of such Obligor, the Borrower (on behalf of such Obligor) must immediately (and in any event within seven days of such event taking place) appoint another agent for accepting service of process in England on behalf of such Obligor on terms acceptable to the Facility Agent. Failing this, the Facility Agent may appoint another agent for accepting service of process in England on behalf of such Obligor, which appointment shall be binding on the Obligors.

(c) Each of the Obligors expressly agrees and consents to the provisions of this Clause 41 and Clause 40 (*Governing law*).

(d) An Obligor may irrevocably appoint another person as its agent for service of process in relation to any proceedings before the courts of England in connection with any Finance Document, subject to notifying the Facility Agent accordingly. In the case of any replacement of an existing agent for such service of process, following the new process agent's appointment and notification to the Facility Agent of such new appointment, the existing process agent may resign.

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

Schedule 1
The Original Parties

Part I
The Original Lenders

Name of Original Lender	Facility A Commitment (U.S.$)	Facility B Commitment (U.S.$)
CTBC Bank Co., Ltd.	U.S.$92,000,000	U.S.$30,000,000
E. SUN Commercial Bank, Ltd.	U.S.$9,000,000	U.S.$0
Yuanta Commercial Bank Co., Ltd.	U.S.$9,000,000	U.S.$0
Total:	U.S.$110,000,000	U.S.$30,000,000

Schedule 2
Conditions Precedent

Part I

[NOT USED]

Part II
Conditions precedent required to be delivered by an Additional Guarantor

In respect of any person proposed to become an Additional Guarantor (the **"Proposed Additional Guarantor"**):

1. An Accession Deed executed by the Proposed Additional Guarantor and the Borrower in respect of the accession by the Proposed Additional Guarantor to this Agreement as a Guarantor.

2. A copy of the Constitutional Documents of the Proposed Additional Guarantor (together with such amendments thereto reasonably requested by the Security Agent to facilitate enforcement of Security) together with, if applicable, statutory registers (including, if applicable, its register of directors, its register of members and its register of mortgages and charges (or equivalent)), a certificate of good standing issued by the Registrar of Companies of the Cayman Islands if the Proposed Additional Guarantor is incorporated in the Cayman Islands and/or a certificate of incumbency issued by the Proposed Additional Guarantor's registered agent and a certificate of good standing issued by the Registrar of Corporate Affairs in the British Virgin Islands if the Proposed Additional Guarantor is incorporated in the British Virgin Islands, in each case, dated no earlier than 10 Business Days before the date on which the legal opinions referred to in paragraph 10 below are (or are to be) issued.

3. A copy of a resolution of the board of directors, managing partner, managing member or other equivalent body of the Proposed Additional Guarantor:

   (a) approving the terms of, and the transactions contemplated by, such Accession Deed and the Finance Documents and resolving that it execute, deliver and perform such Accession Deed and any other Finance Document to which it is party;

   (b) authorising a specified person or persons to execute such Accession Deed and other Finance Documents on its behalf;

   (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all other documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party; and

   (d) authorising the Borrower to act as its agent in connection with the Finance Documents.

4. A specimen of the signature of each person authorised by the resolution referred to in paragraph 3 above.

5. If reasonably required by legal advisers to the Facility Agent, a copy of a resolution signed by all the holders of the issued shares of in the Proposed Additional Guarantor, approving the terms of, and the transactions contemplated by, the Finance Documents to which the Proposed Additional Guarantor is a party.

6. A certificate of the Proposed Additional Guarantor (signed by a director or other authorised signatory) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded.

7. A certificate of an authorised signatory of the Proposed Additional Guarantor certifying that each copy document listed in this Part II of Schedule 2 (*Conditions Precedent*) is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of such Accession Deed.

8. A copy of any other Authorisation or other document, opinion or assurance necessary in connection with the entry into and performance of the transactions contemplated by such Accession Deed or for the validity and enforceability of any Finance Document.

9. If requested by the Facility Agent, the latest audited financial statements of the Proposed Additional Guarantor (if available).

10. The following legal opinions, each addressed to the Facility Agent, the Security Agent and the Lenders:

    (a) a legal opinion of the legal advisers to the Facility Agent as to the laws of the jurisdiction of incorporation or establishment of the Proposed Additional Guarantor (or to the extent customary to do so in that jurisdiction, by the legal advisers to the Proposed Additional Guarantor in that jurisdiction); and

    (b) a legal opinion of the legal advisers to the Facility Agent as to English law.

11. Evidence that any process agent specified in Clause 41.2 (*Service of process*) has accepted its appointment in relation to the Proposed Additional Guarantor.

Part III
Conditions Subsequent required to be delivered in respect of Additional Transaction Security

In respect of any Transaction Security Document and any Total Transaction Obligor party thereto (the "**Applicable Transaction Obligor**"):

1. A copy of the Constitutional Documents of the Applicable Transaction Obligor and, if applicable, statutory registers and a certificate of good standing issued by the Registrar of Companies of the Cayman Islands if the Applicable Transaction Obligor is incorporated in the Cayman Islands and/or a certificate of incumbency issued by the Applicable Transaction Obligor's registered agent if the Applicable Transaction Obligor is incorporated in the British Virgin Islands, in each case, dated no earlier than 10 Business Days before the date on which the legal opinions referred to in paragraph 8 below are (or are to be) issued (or a certificate of the Applicable Transaction Obligor confirming that copies of the Constitutional Documents and, if applicable, statutory registers of the Applicable Transaction Obligor that have previously been delivered to the Facility Agent remain true, complete and up-to-date and that such Constitutional Documents have not been amended or supplemented and remain in full force and effect).

2. A copy of a resolution of the board of directors, managing partner, managing member or other equivalent body of the Applicable Transaction Obligor:

   (a) approving the terms of, and the transactions contemplated by, such Transaction Security Document and resolving that it execute, deliver and perform such Transaction Security Document;

   (b) authorising a specified person or persons to execute such Transaction Security Document on its behalf; and

   (c) authorising a specified person or persons, on its behalf, to sign and/or despatch all other documents and notices to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.

3. A specimen of the signature of each person authorised by the resolution referred to in paragraph 2 above.

4. If reasonably required by legal advisers to the Facility Agent, a copy of a resolution signed by all the holders of the issued shares of in the Applicable Transaction Obligor approving the terms of, and the transactions contemplated by, such Transaction Security Document.

5. A certificate of the Applicable Transaction Obligor (signed by a director or other authorised signatory) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee, security or similar limit binding on it to be exceeded.

6. A certificate of an authorised signatory of the Applicable Transaction Obligor certifying that each copy document listed in this Part III of this Schedule 2 (*Conditions Precedent*) is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of such Transaction Security Document.

7. A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent considers to be necessary or desirable in connection with the entry into and performance of the transactions contemplated by such Transaction Security Document or for the validity and enforceability of any Finance Document.

8. The following legal opinions, each addressed to the Facility Agent, the Security Agent and the Lenders:

(a) a legal opinion of the legal advisers to the Facility Agent as to the laws of the jurisdiction of incorporation of the Applicable Transaction Obligor (or to the extent customary to do so in that jurisdiction, by the legal advisers to the Applicable Transaction Obligor in that jurisdiction); and

(b) a legal opinion of the legal advisers to the Facility Agent as to the governing laws of such Transaction Security Document (or to the extent customary to do so in that jurisdiction, by the legal advisers to the Applicable Transaction Obligor in that jurisdiction).

9. Evidence that any process agent specified in such Transaction Security Document has accepted its appointment in relation to the Applicable Transaction Obligor.

10. A copy of all notices, acknowledgments and other documents required to be given, obtained, executed or delivered under the terms of such Transaction Security Document.

11. All documents of title and deliverables required to be to be provided under such Transaction Security Document.

Schedule 3
Request and Notices

Part I
Utilisation Request

From: [*name of Borrower*]

To: [*Facility Agent*]

Dated: [ ]

Dear Sirs

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent
(as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to the Facilities Agreement. This is the Utilisation Request. Terms and expressions defined in or construed for the purposes of the Facilities Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to borrow a Loan under the Facility identified below on the following terms:

Facility under which such Loan is to be made:	[Facility A]/[Facility B]/[*identify relevant Incremental Facility*]*
Proposed Utilisation Date:	[ ] (or, if that is not a Business Day, the next Business Day)
Currency of such Loan:	U.S.$
Amount of such Loan:	[ ] or, if less, the Available Facility in respect of the above-mentioned Facility
First Interest Period relating to such Loan:	(subject to the provisions of the Facilities Agreement) [ ]

3. We confirm that each condition specified in paragraph (a) of Clause 4.2 (*Further conditions precedent*) of the Facilities Agreement is satisfied on the date of this Utilisation Request.

4. The proceeds of this Loan should be credited to [*details of relevant account of the Borrower*].

* Insert the Facility to be utilised.

5. This Utilisation Request is irrevocable.

Yours faithfully

authorised signatory for

[*name of Borrower*]

Part II
Selection Notice

From: [*name of Borrower*]

To: [*Facility Agent*]

Dated: [ ]

Dear Sirs

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent
(as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to the Facilities Agreement. This is a Selection Notice. Terms defined in or construed for the purposes of the Facilities Agreement have the same meaning in this Selection Notice unless given a different meaning in this Selection Notice.

2. We refer to the following Loan under [*insert relevant Facility*] with its current Interest Period ending on [ ]: [*identify relevant Loan*].

3. We request that the next Interest Period for the above Loan is, subject to the provisions of the Facilities Agreement, [ ] Months.

4. This Selection Notice is irrevocable.

Yours faithfully

_____

authorised signatory for

[*name of Borrower*]

Schedule 4
White List

1. Aorora
2. Australia & New Zealand Bank
3. Bank of China
4. Bank of Communications
5. Bank of East Asia
6. Bank of Kaohsiung
7. Bank of Pan Hsin
8. Bank of Taipei
9. Bank of Taiwan
10. Bank of Tokyo Mitsubishi
11. Bank Sinopac
12. BNP Paribas
13. Cathay United Bank
14. Chailease Finance
15. Chang Hwa Bank
16. China Construction Bank
17. China Merchant Bank
18. China Minsheng Banking Corp.
19. Credit Agricole CIB
20. Cosmos Bank
21. DBS
22. E. Sun Commercial Bank

23. Entie Commercial Bank
24. Far Eastern International Bank
25. First Commercial Bank
26. First Gulf Bank
27. Hua Nan
28. Hwatai Commercial Bank
29. ICBC Asia
30. Industrial Bank of Taiwan
31. ING Bank N.V.
32. Jih Sun International Bank
33. King’s Town Bank
34. Korea Development Bank
35. Korea Exchange Bank
36. Land Bank of Taiwan
37. May Bank
38. Mega
39. Mizuho
40. Natixis
41. Oversea-Chinese Banking Corporation
42. Ping An
43. Shanghai Commercial & Savings Bank
44. Shinhan Bank
45. Siemens Financial Services

46. Shanghai Pudong Development Bank
47. Sumitomo Mitsui Banking Corp
48. Ta Chong Bank
49. Taichung Commercial Bank
50. Taipei Fubon Commercial Bank
51. Taiwan Cooperative Bank
52. Taiwan Shinkong Bank
53. United Overseas Bank
54. Woori Bank
55. Yuanta Commercial Bank

Schedule 5
Form of Transfer Certificate

To: [ ], as Facility Agent, and [ ], as Security Agent

From: [the *Existing Lender*] (the "**Existing Lender**") and [the *New Lender*] (the "**New Lender**")

Dated: [ ]

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent (as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to the Facilities Agreement and to the Security Trust Agreement (as defined in the Facilities Agreement). This agreement (the "**Agreement**") shall take effect as a Transfer Certificate for the purpose of the Facilities Agreement and as a Creditor Accession Undertaking for the purposes and as defined in the Security Trust Agreement. Terms and expressions defined in or construed for the purposes of the Facilities Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2. We refer to Clause 25.5 (*Procedure for transfer*) of the Facilities Agreement:

   (a) The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation and in accordance with Clause 25.5 (*Procedure for transfer*) of the Facilities Agreement all of the Existing Lender's rights and obligations under the Facilities Agreement which relate to that portion of the Existing Lender's Commitment (in respect of the applicable Facility or Facilities) and participation in the Loan(s) under the Facilities Agreement as specified in the Schedule.

   (b) The Existing Lender hereby absolutely assigns to the New Lender, with effect from the Transfer Date, a portion of the rights held by it (in its capacity as Lender) under or in connection with the Finance Documents (other than the Facilities Agreement) and in respect of the Transaction Security which (in each case) correspond with the rights and obligations under the Facilities Agreement transferred pursuant hereto, and the Existing Lender will be released (with effect from the Transfer Date) from any corresponding obligations by which it is bound in respect of the Transaction Security.

   (c) The proposed Transfer Date is [ ].

   (d) The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 33.2 (*Addresses*) of the Facilities Agreement are set out in the Schedule.

3. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 25.4 (*Limitation of responsibility of Existing Lenders*) of the Facilities Agreement.

4. The New Lender confirms that it [is]/[is not]* a Sponsor Affiliate.

5. We refer to clause 19.5 (*Change of Senior Lender*) of the Security Trust Agreement.

In consideration of the New Lender being accepted as a Senior Lender for the purposes of and as defined in the Security Trust Agreement, the New Lender confirms that, as from the Transfer Date, it intends to be party to the Security Trust Agreement as a "Senior Lender" (as defined in the Security Trust Agreement), and undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by a Senior Lender (as defined in the Security Trust Agreement) and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement as a Senior Lender (as defined in the Security Trust Agreement).

6. This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on such counterparts were on a single copy of this Agreement.

7. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

8. This Agreement has been entered into on the date stated at the beginning of this Agreement.

Notes:

* Delete as applicable.

The execution of this Transfer Certificate may not transfer a proportionate share of the Existing Lender's interest in the Transaction Security in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in the Existing Lender's interest in Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

THE SCHEDULE
Commitment(s)/participation in Loan(s)/rights and obligations to be transferred

[*insert relevant details*]

[*Facility Office address, fax number and attention details for notices and account details for payments*]

[*Existing Lender*]

By: _____

[*New Lender*]

By: _____

This Agreement is accepted as a Transfer Certificate for the purposes of the Facilities Agreement by the Facility Agent, and as a Creditor Accession Undertaking for the purposes of and as defined in the Security Trust Agreement by the Security Agent, and the Transfer Date is confirmed as [ ].

[*Facility Agent*]

By: _____

[*Security Agent*]

By: _____

Schedule 6
Form of Assignment Agreement

To: [ ] as Facility Agent;

[ ], as Security Agent; and

[ ], as Borrower, for and on behalf of each Obligor

From: [the *Existing Lender*] (the "**Existing Lender**") and [the *New Lender*] (the "**New Lender**")

Dated: [ ]

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent (as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to the Facilities Agreement and to the Security Trust Agreement. This is an Assignment Agreement. This agreement (the "**Agreement**") shall take effect as an Assignment Agreement for the purpose of the Facilities Agreement and as a Creditor Accession Undertaking for the purposes and as defined in the Security Trust Agreement. Terms and expressions defined in or construed for the purposes of the Facilities Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2. We refer to Clause 25.6 (*Procedure for assignment*) of the Facilities Agreement:

   (a) The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender (in its capacity as Lender) under the Facilities Agreement, the other Finance Documents and in respect of the Transaction Security, which (in each case) correspond to that portion of the Existing Lender's Commitment(s) in respect of the applicable Facility or Facilities and participations in the Loan(s) under the Facilities Agreement as specified in the Schedule (the "**Assigned Portion**").

   (b) With effect from the Transfer Date, the Existing Lender is released from all the obligations of the Existing Lender which correspond to the Assigned Portion.

   (c) With effect from the Transfer Date, the New Lender becomes a Party as a Lender and is bound by obligations equivalent to those from which the Existing Lender is released under paragraph (b) above.

3. The proposed Transfer Date is [ ].

4. On the Transfer Date the New Lender becomes:

   (a) party to the Facilities Agreement and becomes a Lender for the purposes of each other Finance Document; and

   (b) party to the Security Trust Agreement as a "Senior Lender" (as defined in the Security Trust Agreement).

5. The Facility Office and address, fax number and attention details for notices of the New Lender for the purposes of Clause 33.2 (*Addresses*) of the Facilities Agreement are set out in the Schedule.

6. The New Lender expressly acknowledges the limitations on the Existing Lender's obligations set out in paragraph (c) of Clause 25.4 (*Limitation of responsibility of Existing Lenders*) of the Facilities Agreement.

7. The New Lender confirms that it [is]/[is not]* a Sponsor Affiliate.

8. We refer to clause 19.5 (*Change of Senior Lender*) of the Security Trust Agreement. In consideration of the New Lender being accepted as a Senior Lender for the purposes of and as defined in the Security Trust Agreement, the New Lender confirms that, as from the Transfer Date, it intends to be party to the Security Trust Agreement as a "Senior Lender" (as defined in the Security Trust Agreement), and undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by a Senior Lender (as defined in the Security Trust Agreement) and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement as a Senior Lender (as defined in the Security Trust Agreement).

9. This Agreement acts as notice to the Facility Agent (on behalf of each Finance Party) and, upon delivery in accordance with Clause 25.7 (*Copy of Transfer Certificate, Assignment Agreement or Increase Confirmation to Borrower*) of the Facilities Agreement, to the Borrower (on behalf of each Obligor) of the assignment referred to in this Agreement.

10. This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on such counterparts were on a single copy of this Agreement.

11. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

12. This Agreement has been entered into on the date stated at the beginning of this Agreement.

Note:

* Delete as applicable.

The execution of this Assignment Agreement may not transfer a proportionate share of the Existing Lender's interest in the Transaction Security in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in the Existing Lender's interest in Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

THE SCHEDULE
Commitment(s)/participation in Loan(s)/ rights and obligations to be assigned

[*insert relevant details*]

[*Facility Office address, fax number and attention details for notices and account details for payments*]

[*Existing Lender*] [*New Lender*]

By: _____ By: _____

This Agreement is accepted as an Assignment Agreement for the purposes of the Facilities Agreement by the Facility Agent, and as a Creditor Accession Undertaking for the purposes of and as defined in the Security Trust Agreement by the Security Agent, and the Transfer Date is confirmed as [ ].

Signature of this Agreement by the Facility Agent constitutes confirmation by the Facility Agent of receipt of notice of the assignment referred to in this Agreement, which notice the Facility Agent receives on behalf of each Finance Party.

[*Facility Agent*]

By: _____

[*Security Agent*]

By: _____

Schedule 7
Form of Accession Deed

To: [ ] as Facility Agent;

[ ], as Security Agent for itself and each of the other parties to the Security Trust Agreement referred to below

From: [*applicable Group Member*] (the **"Proposed Additional Guarantor**") and the Borrower

Dated: [ ]

Dear Sirs

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent (as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to the Facilities Agreement and to the Security Trust Agreement. This deed (the "**Accession Deed**") shall take effect as an Accession Deed for the purposes of the Facilities Agreement and as a Debtor Accession Deed for the purposes of and as defined in the Security Trust Agreement. Terms and expressions defined in or construed for the purposes of the Facilities Agreement have the same meaning in this Accession Deed (except for paragraph 4 hereof) unless given a different meaning in this Accession Deed.

2. The Proposed Additional Guarantor agrees to become a "Guarantor" and to be bound by the terms of the Facilities Agreement and the other Finance Documents (other than the Security Trust Agreement) as a "Guarantor" pursuant to Clause 27.2 (*Additional Guarantors*) of the Facilities Agreement. The Proposed Additional Guarantor is a company duly incorporated under the laws of [*name of relevant jurisdiction*] and is a limited liability company and registered number [ ]. Each of the Proposed Additional Guarantor and the Borrower represents and warrants that no Default is continuing or would occur as a result of the Proposed Additional Guarantor becoming a Guarantor.

3. The Proposed Additional Guarantor's administrative details for the purposes of the Facilities Agreement and the Security Trust Agreement are as follows:

   Address: [ ]

   Fax No.: [ ]

   Attention: [ ]

4. The Proposed Additional Guarantor (for the purposes of this paragraph 4, the "**Acceding Debtor**") intends to [incur Liabilities under the following documents]/[give a guarantee, indemnity or other assurance against loss in respect of Liabilities under the following documents]:

   [*Insert details (date, parties and description) of relevant documents*]

   (the "**Relevant Documents**").

   IT IS AGREED as follows:

   (a) Terms and expressions defined in or construed for the purposes of the Security Trust Agreement shall, unless otherwise defined in this Accession Deed, bear the same meaning when used in this paragraph 4.

(b) The Acceding Debtor and the Security Agent agree that the Security Agent shall hold:

(i) [any Security in respect of Liabilities and/or Secured Obligations created or expressed to be created pursuant to any or all of the Relevant Documents (and any other Debt Documents to which the Acceding Debtor is or may become party);

(ii) all proceeds of that Security; and]*

(iii) all obligations expressed to be undertaken by the Acceding Debtor to pay amounts in respect of any or all of the Liabilities and/or Secured Obligations to the Security Agent as trustee for the Secured Parties (whether in the Relevant Documents or otherwise), together with all representations and warranties expressed to be given by the Acceding Debtor (whether in the Relevant Documents or otherwise) in favour of the Security Agent as trustee for the Secured Parties,

on trust for the Secured Parties on the terms and conditions contained in the Security Trust Agreement.

(c) The Acceding Debtor confirms that it intends to be party to the Security Trust Agreement as a "Debtor" (as defined in the Security Trust Agreement), undertakes to perform all the obligations expressed to be assumed by a Debtor under the Security Trust Agreement and agrees that it shall be bound by all the provisions of the Security Trust Agreement as if it had been an original party to the Security Trust Agreement as a "Debtor" (as defined in the Security Trust Agreement).

(d) In consideration of the Acceding Debtor being accepted as an Intra-Group Lender for the purposes of the Security Trust Agreement, the Acceding Debtor also confirms that it intends to be party to the Security Trust Agreement as an "Intra-Group Lender" (as defined in the Security Trust Agreement), and undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by an Intra-Group Lender and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement as an "Intra-Group Lender" (as defined in the Security Trust Agreement).

5. This Accession Deed and any non-contractual obligations arising out of or in connection with it are governed by English law.

THIS ACCESSION DEED has been signed on behalf of the Security Agent (for the purposes of paragraph 4 above only), signed on behalf of the Borrower and executed as a deed by the Proposed Additional Guarantor and is hereby delivered as a deed by the Proposed Additional Guarantor.

* To be included to the extent that the Security created in the Relevant Documents is expressed to be granted to the Security Agent as trustee for the Secured Parties.

Proposed Additional Guarantor

[EXECUTED AS A DEED)

By [*full name of Proposed Additional Guarantor*])

Director

Director/Secretary

OR

[EXECUTED AS A DEED)

By [*full name of Proposed Additional Guarantor*])

_____ Signature of Director

_____ Name of Director

in the presence of

_____ Signature of witness

_____ Name of witness

_____ Address of witness

_____

_____

_____

_____ Occupation of witness]

Borrower

_____ [*full name of Borrower*]

By: _____

Security Agent

[*full name of current Security Agent*]

By: _____

Date:

Schedule 8
Form of Compliance Certificate

To: [ ], as Facility Agent

From: [ ], as Borrower

Dated: [ ]

Dear Sirs

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent
(as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to the Facilities Agreement. This is a Compliance Certificate. Terms and expressions defined in or construed for the purposes of the Facilities Agreement have the same meaning when used in this Compliance Certificate unless given a different meaning in this Compliance Certificate.

2. [**Covenant testing**: we confirm that :

   (a) as at the last day of the Relevant Period ending on [ ] (the "**Test Date**"), Total Net Debt was [ ] and, in respect of such Relevant Period, EBITDA was [ ] and Adjusted EBITDA was [ ]. Therefore the Leverage in respect of such Relevant Period was [ ]:1.00 and the financial covenant set out in paragraph (a) of Clause 22.2 (*Financial condition*) of the Facilities Agreement [has/has not] been complied with; and

   (b) in respect of such Relevant Period, Finance Charges were [ ]. Therefore the Interest Coverage Ratio in respect of such Relevant Period was [ ]: 1.00 and the financial covenant set out in paragraph (b) of Clause 22.2 (*Financial condition*) of the Facilities Agreement [has/has not] been complied with; and

   (c) in respect of such Relevant Period, Cashflow was [ ] and Debt Service was [ ]. Therefore the Debt Service Coverage Ratio in respect of such Relevant Period was [ ]: 1.00 and the financial covenant set out in paragraph (c) of Clause 22.2 (*Financial condition*) of the Facilities Agreement [has/has not] been complied with.] [+]

3. **No Default:** [we confirm that no Default is continuing.]*

4. **New Shareholder Injections:** we confirm that (a) the amount of New Shareholder Injection received by the Borrower during [the Financial Year of the Group ending on the Test Date]** / [the Financial Quarter ending on the Test Date]*** was U.S.$[ ] (or its equivalent) and (b) the amount of Acceptable Funding Sources received by Group Members during [the Financial Year of the Group ending on the Test Date]** / [the Financial Quarter ending on the Test Date]*** was U.S.$[ ] (or its equivalent).

[+] Insert for any Compliance Certificate relating to any Annual Financial Statements, Semi-Annual Financial Statements or Quarterly Financial Statements prepared in respect of any period ending on or after the First Test Date.

* If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

** In the case of a Compliance Certificate relating to Annual Financial Statements of the Group.

*** In the case of a Compliance Certificate relating to Quarterly Financial Statements of the Group.

5. **DSRA:** we confirm that as at the date of the Compliance Certificate:

(a) the Interest Reserve Amount is U.S.$[ ] and:

[*insert reasonable details of how the Interest Reserve Amount has been calculated*];

(b) the DSRA Minimum Balance is U.S.$[ ], and

[*insert reasonable details of how the DSRA Minimum Balance has been calculated*]; and

(c) the aggregate balance standing to the credit of the DSRA is U.S.$[ ].

6. **Lionbridge Investments:** we confirm that:

(a) the aggregate outstanding amount of the Lionbridge Investments is [ ] and the maturity date of each such Lionbridge Investment is [ ]; and

(b) [no Lionbridge Investment has been made on or after [the date of the previous Compliance Certificate][the date of the Facilities Agreement]][one or more Lionbridge Investment(s) have been made on or after [the date of the previous Compliance Certificate][the date of the Facilities Agreement]; the amount of each such Lionbridge Investment is as follows: [ ], and the condition set out in paragraph (b) of the definition of "New Lionbridge Investment" in the Facilities Agreement is satisfied with respect to each such Lionbridge Investment]*.

7. **Relevant Increase:** we confirm that:

(a) the following Future Acquisition has been completed during the Relevant Period ending on the Test Date: [ ];

(b) Adjusted EBITDA for such Relevant Period (calculated without giving effect to paragraph (b)(i)(C) of Clause 22.3 (*Financial testing*) of the Facilities Agreement or any Relevant Synergies) (being the Adjusted Non-Synergy EBITDA for such Relevant Period) is [ ];

(c) the amount by which Adjusted Non-Synergy EBITDA for such Relevant Period exceeds EBITDA for such Relevant Period solely as a result of that Future Acquisition is [ ]; and

(d) accordingly the "Relevant Increase" for the purposes of paragraph (f) of Clause 1.2 (*Construction*) of the Facilities Agreement for such Relevant Period is [ ]%.

8. **Application of Cure Amounts**: we confirm that, as at the date of this Compliance Certificate:

(a) the aggregate Cure Amount received since the date of the last Compliance Certificate (or, in the case of the first Compliance Certificate delivered after the Amendment and Restatement Effective Date, since the Amendment and Restatement Effective Date) is [ ];

* Insert appropriate alternative.

(b) the aggregate amount standing to the credit of the Cure Amount Account as at the date of this Compliance Certificate is [ ]; and

(c) the following amounts have been withdrawn, transferred or applied from the Cure Amount since the date of the last Compliance Certificate (or, in the case of the first Compliance Certificate delivered after the Amendment and Restatement Effective Date, since the Amendment and Restatement Effective Date), and such amounts have been applied as follows: [ ].

Computations in respect of paragraphs [2][+] 4 and 7 are attached to this Compliance Certificate

Signed

_____

_____

[Chief Financial Officer]/[Director] of [*Borrower*]

[+] Insert for any Compliance Certificate relating to any Annual Financial Statements or Quarterly Financial Statements prepared in respect of any period ending on or after the First Test Date.

Schedule 9
LMA Form of Confidentiality Undertaking

CONFIDENTIALITY LETTER

[*Letterhead of applicable Mandated Lead Arranger*]

Date: [ ]

To:

[*insert name of Potential Lender*]

To: [*name of Borrower*]

Re: Facilities agreement between, among others, the Company, CTBC Bank Co., Ltd. as mandated lead arranger, [ ] as facility agent and [ ] as security agent (as amended and/or supplemented from time to time, the "**Facilities Agreement**").

***Borrower*:** [*name of Borrower*] (the "**Company**")

Date: [ ]

Facility: U.S.$[ ]

Facility Agent: [*name of Borrower*]

Dear Sirs

We understand that you are considering participating in the Facility. In consideration of us agreeing to make available to you certain information, by your signature of a copy of this letter you agree as follows:

1. **CONFIDENTIALITY UNDERTAKING**

You undertake:

1.1 to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by paragraph 2 below and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to your own confidential information;

1.2 to keep confidential and not disclose to anyone except as provided for by paragraph 2 below the fact that the Confidential Information has been made available or that discussions or negotiations are taking place or have taken place between us in connection with the Facility; and

1.3 to use the Confidential Information only for the Permitted Purpose.

2. **PERMITTED DISCLOSURE**

We agree that you may disclose such Confidential Information and such of those matters referred to in paragraph 1.2 above as you shall consider appropriate:

2.1 to members of the Participant Group and their officers, directors, employees, professional advisers and auditors if any person to whom the Confidential Information is to be given pursuant to this paragraph 2.1 is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information, except that there shall be no such requirement to so inform if such person is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to such Confidential Information;

2.2 to any person to whom information is required or requested to be disclosed by any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation; and

2.3 with the prior written consent of us and the Company.

3. **NOTIFICATION OF DISCLOSURE**

You agree (to the extent permitted by law and regulation) to inform us:

3.1 of the circumstances of any disclosure of Confidential Information made pursuant to paragraph 2.2 above except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and

3.2 upon becoming aware that Confidential Information has been disclosed in breach of this letter.

4. **RETURN OF COPIES**

If you do not participate in the Facility and we so request in writing, you shall return or destroy all Confidential Information supplied to you by us and destroy or permanently erase (to the extent technically practicable) all copies of Confidential Information made by you and use your reasonable endeavours to ensure that anyone to whom you have supplied any Confidential Information destroys or permanently erases (to the extent technically practicable) such Confidential Information and any copies made by them, in each case save to the extent that you or the recipients are required to retain any such Confidential Information by any applicable law, rule or regulation or by any competent judicial, governmental, supervisory or regulatory body or in accordance with internal policy, or where such Confidential Information has been disclosed under paragraph 2.2 above.

5. **CONTINUING OBLIGATIONS**

The obligations in this letter are continuing and, in particular, shall survive the termination of any discussions or negotiations between you and us. Notwithstanding the previous sentence, the obligations in this letter shall cease on the earlier of (a) the date on which you become a party to the Facilities Agreement or (b) the date falling twelve months after the date of your final receipt (in whatever manner) of any Confidential Information.

6. **NO REPRESENTATION; CONSEQUENCES OF BREACH, ETC.**

You acknowledge and agree that:

6.1 neither we nor any of our officers, employees or advisers (each a "**Relevant Person**") (i) make any representation or warranty, express or implied, as to, or assume any responsibility for, the accuracy, reliability or completeness of any of the Confidential Information or any other information supplied by us or any Group Member or the assumptions on which it is based or (ii) shall be under any obligation to update or correct any inaccuracy in the Confidential Information or any other information supplied by us or any Group Member or be otherwise liable to you or any other person in respect of the Confidential Information or any such information; and

6.2 we or Group Members may be irreparably harmed by the breach of the terms of this letter and damages may not be an adequate remedy; each Relevant Person or Group Member may be granted an injunction or specific performance for any threatened or actual breach of the provisions of this letter by you.

7. **ENTIRE AGREEMENT: NO WAIVER; AMENDMENTS, ETC.**

7.1 This letter constitutes the entire agreement between us in relation to your obligations regarding Confidential Information and supersedes any previous agreement, whether express or implied, regarding Confidential Information.

7.2 No failure to exercise, nor any delay in exercising any right or remedy under this letter will operate as a waiver of any such right or remedy or constitute an election to affirm this letter. No election to affirm this letter will be effective unless it is in writing. No single or partial exercise of any right or remedy will prevent any further or other exercise or the exercise of any other right or remedy under this letter.

7.3 The terms of this letter and your obligations under this letter may only be amended or modified by written agreement between us.

8. **INSIDE INFORMATION**

You acknowledge that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and you undertake not to use any Confidential Information for any unlawful purpose.

9. **NATURE OF UNDERTAKINGS**

The undertakings given by you under this letter are given to us and (without implying any fiduciary obligations on our part) are also given for the benefit of the Company and each other Group Member.

10. **THIRD PARTY RIGHTS**

10.1 Subject to this paragraph 10 and to paragraphs 6 and 9, a person who is not a party to this letter has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this letter.

10.2 The Relevant Persons and each Group Member may enjoy the benefit of the terms of paragraphs 6 and 9 subject to and in accordance with this paragraph 10 and the provisions of the Third Parties Act.

10.3 Notwithstanding any provisions of this letter, the parties to this letter do not require the consent of any Relevant Person or any Group Member to rescind or vary this letter at any time.

11. GOVERNING LAW AND JURISDICTION

11.1 This letter and the agreement constituted by your acknowledgement of its terms (the "**Letter**") and any non-contractual obligations arising out of or in connection with it (including any non-contractual obligations arising out of the negotiation of the transaction contemplated by this Letter) are governed by English law.

11.2 The courts of England have non-exclusive jurisdiction to settle any dispute arising out of or in connection with this Letter (including a dispute relating to any non-contractual obligation arising out of or in connection with either this Letter or the negotiation of the transaction contemplated by this Letter).

12. DEFINITIONS

In this letter (including the acknowledgement set out below) terms defined in the Facilities Agreement shall, unless the context otherwise requires, have the same meaning and:

"**Confidential Information**" means all information relating to any Total Transaction Obligor, the Group, the Finance Documents or the Facility which is provided to you in relation to the Finance Documents or Facility by us or any of our affiliates or advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(a) is or becomes public information other than as a direct or indirect result of any breach by you of this letter; or

(b) is identified in writing at the time of delivery as non-confidential by us or our advisers; or

(c) is known by you before the date the information is disclosed to you by us or any of our affiliates or advisers or is lawfully obtained by you after that date, from a source which is, as far as you are aware, unconnected with the Group and which, in either case, as far as you are aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Finance Documents**" means the documents defined in the Facilities Agreement as Finance Documents.

"**Group**" means the Company and its Subsidiaries for the time being (each a "**Group Member**").

"**Participant Group**" means you, each of your holding companies and subsidiaries and each subsidiary of each of your holding companies (as each such term is defined in the Companies Act 2006) and where such term is used in this letter each of your or their directors, officers and employees (including any sales and trading teams).

"**Permitted Purpose**" means considering and evaluating whether to enter into the Facility.

Please acknowledge your agreement to the above by signing and returning the enclosed copy.

Yours faithfully

For and on behalf of
[*name of applicable Finance Party*]

To: [*name of applicable Finance Party*]

The Company and each other Group Member

We acknowledge and agree to the above:

For and on behalf of
[*Potential Lender*]

Schedule 10
Timetables

Delivery of a duly completed Utilisation Request (Clause 5.1 (*Delivery of the Utilisation Request*)) or a Selection Notice (Clause 11.1 (*Interest Period*)) in respect of a Term Facility or a Term Loan	U-2 (or such later time as the Facility Agent may agree)
Delivery of a duly completed Utilisation Request (Clause 5.1 (*Delivery of the Utilisation Request*)) or a Selection Notice (Clause 11.1 (*Interest Period*)) in respect of any Incremental Facility or any Incremental Facility Loan under any Incremental Facility	As determined in accordance with the Incremental Facility Notice in respect of such Incremental Facility
Facility Agent determines (in relation to the Utilisation under a Term Facility) the amount of the Term Loan, if required under Clause 5.4 (*Lenders' participation*) and notifies the Lenders of such Term Loan in accordance with Clause 5.4 (*Lenders' participation*)	U-2 (or such later time as the Facility Agent may agree)
Facility Agent determines (in relation to the Utilisation under any Incremental Facility) the amount of any Incremental Facility Loan under such Incremental Facility, if required under Clause 5.4 (*Lenders' participation*) and notifies the Lenders of such Incremental Facility Loan in accordance with Clause 5.4 (*Lenders' participation*)	As determined in accordance with the Incremental Facility Notice in respect of such Incremental Facility
LIBOR is fixed	Quotation Day as of 11:00 a.m. London time

"U" = the applicable Utilisation Date or, as the case may be, the first day of the applicable Interest Period.

"U-X" = X Business Days prior to date of U.

Schedule 11
Form of Increase Confirmation

To: [ ], as Facility Agent;

[ ], as Security Agent; and

[ ], as Borrower, for and on behalf of each Obligor

From: [*the Increase Lender*] (the "**Increase Lender**")

Dated: [ ]

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent (as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to the Facilities Agreement and to the Security Trust Agreement (as defined in the Facilities Agreement). This agreement (the "**Agreement**") shall take effect as an Increase Confirmation for the purpose of the Facilities Agreement and as a Creditor Accession Undertaking for the purposes of and as defined in the Security Trust Agreement. Terms and expressions defined in or construed for the purposes of the Facilities Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2. We refer to Clause 2.2 (*Increase*) of the Facilities Agreement.

3. The Increase Lender agrees to assume and will assume all of the obligations corresponding to the Commitment specified in the Schedule (the "**Relevant Commitment**") as if it was an Original Lender under the Facilities Agreement with such Relevant Commitment (in addition to any Commitment the Increase Lender may otherwise already have under the Facilities Agreement).

4. The proposed date on which the assumption of such Relevant Commitment by the Increase Lender is to take effect (the "**Increase Date**") is [ ].

5. On the Increase Date, the Increase Lender becomes:

   (a) party to the Facilities Agreement as a Lender, and becomes a Lender for the purposes of each other Finance Document; and

   (b) party to the Security Trust Agreement as a "Senior Lender" (as defined in the Security Trust Agreement).

6. The Facility Office and address, fax number and attention details for notices to the Increase Lender for the purposes of Clause 33.2 (*Addresses*) of the Facilities Agreement are set out in the Schedule.

7. The Increase Lender expressly acknowledges the limitations on the Lenders' obligations referred to in paragraph (g) of Clause 2.2 (*Increase*) of the Facilities Agreement.

8. The Increase Lender confirms that it is not a Total Transaction Obligor, a Group Member, any Affiliate of any of the foregoing, or a Sponsor Affiliate.

9. We refer to clause 19.10 (*Creditor Accession Undertaking*) of the Security Trust Agreement. In consideration of the Increase Lender being accepted as a Senior Lender for the purposes of and as defined in the Security Trust Agreement, the Increase Lender confirms that, as from the Increase Date, it intends to be party to the Security Trust Agreement as a "Senior Lender" (as defined in the Security Trust Agreement), and undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by a Senior Lender (as defined in the Security Trust Agreement) and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement as a Senior Lender (as defined in the Security Trust Agreement).

10. This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on such counterparts were on a single copy of this Agreement.

11. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

12. This Agreement has been entered into on the date stated at the beginning of this Agreement.

Note:

The execution of this Increase Confirmation may not be sufficient for the Increase Lender to obtain the benefit of the Transaction Security in all jurisdictions. It is the responsibility of the Increase Lender to ascertain whether any other documents or other formalities are required to obtain the benefit of the Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

THE SCHEDULE
Relevant Commitment/rights and obligations to be assumed by the Increase Lender

[*insert relevant details*]

[*Facility Office address, fax number and attention details for notices and account details for payments*]

[*Increase Lender*]

By: _____

This Agreement is accepted as an Increase Confirmation for the purposes of the Facilities Agreement by the Facility Agent, and as a Creditor Accession Undertaking for the purposes of and as defined in the Security Trust Agreement by the Security Agent and the Increase Date is confirmed as [ ].

[*Facility Agent*]

By: _____

[*Security Agent*]

By: _____

Schedule 12
Forms of Notifiable Debt Purchase Transaction Notice

Part I
Form of Notice on Entering into Notifiable Debt Purchase Transaction

To: [ ], as Facility Agent

From: [*the applicable Lender*]

Dated: [ ]

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent (as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to paragraph (b) of Clause 26.2 (*Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates*) of the Facilities Agreement. Terms and expressions defined in or construed for the purposes of the Facilities Agreement have the same meaning in this notice unless given a different meaning in this notice.

2. We have entered into a Notifiable Debt Purchase Transaction.

3. The Notifiable Debt Purchase Transaction referred to in paragraph 2 above relates to the amount of our Commitment(s) and/or participation(s) in the Loan(s) as set out below.

Commitment(s)/ participation(s) in Loan(s)	**Amount of our Commitment(s)/ participation(s) in Loan(s) to which Notifiable Debt Purchase Transaction relates (U.S.$)**
[*identify relevant Commitment in respect of the relevant Term Facility/participation in the relevant Term Loan*]	[*insert amount (of that Commitment in respect of the relevant Term Facility/participation in the relevant Term Loan) to which the relevant Debt Purchase Transaction applies*]
[*identify relevant Commitment in respect of the relevant Incremental Facility/participation in Incremental Facility Loan(s) under the relevant Incremental Facility*]	[*insert amount (of that Commitment in respect of that Incremental Facility/participation in Incremental Facility Loan(s) under that Incremental Facility) to which the relevant Debt Purchase Transaction applies*]

[*Lender*]

By: _____

Part II
Form of Notice on Termination of Notifiable Debt Purchase Transaction/Notifiable Debt Purchase Transaction ceasing to be with Sponsor Affiliate

To: [ ], as Facility Agent

From: [*the applicable Lender*]

Dated: [ ]

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent (as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to paragraph (c) of Clause 26.2 (*Disenfranchisement on Debt Purchase Transactions entered into by Sponsor Affiliates*) of the Facilities Agreement. Terms and expressions defined in or construed for the purposes of the Facilities Agreement have the same meaning in this notice unless given a different meaning in this notice.

2. A Notifiable Debt Purchase Transaction which we entered into and which we notified you of in a notice dated [ ] has [terminated]/[ceased to be with a Sponsor Affiliate].*

3. The Notifiable Debt Purchase Transaction referred to in paragraph 2 above relates to the amount of our Commitment(s) and/or participation(s) in the Loan(s) as set out below.

Commitment(s)/ participation(s) in Loan(s)	**Amount of our Commitment(s)/ participation(s) in Loan(s) to which Notifiable Debt Purchase Transaction relates (U.S.$)**
[*identify relevant Commitment in respect of the relevant Term Facility/participation in the relevant Term Loan*]	[*insert amount (of that Commitment in respect of the relevant Term Facility/participation in the Term Loan) to which the relevant Debt Purchase Transaction applies*]
[*identify relevant Commitment in respect of the relevant Incremental Facility/participation in Incremental Facility Loan(s) under the relevant Incremental Facility*]	[*insert amount (of that Commitment in respect of that Incremental Facility/participation in Incremental Facility Loan(s) under that Incremental Facility) to which the relevant Debt Purchase Transaction applies*]

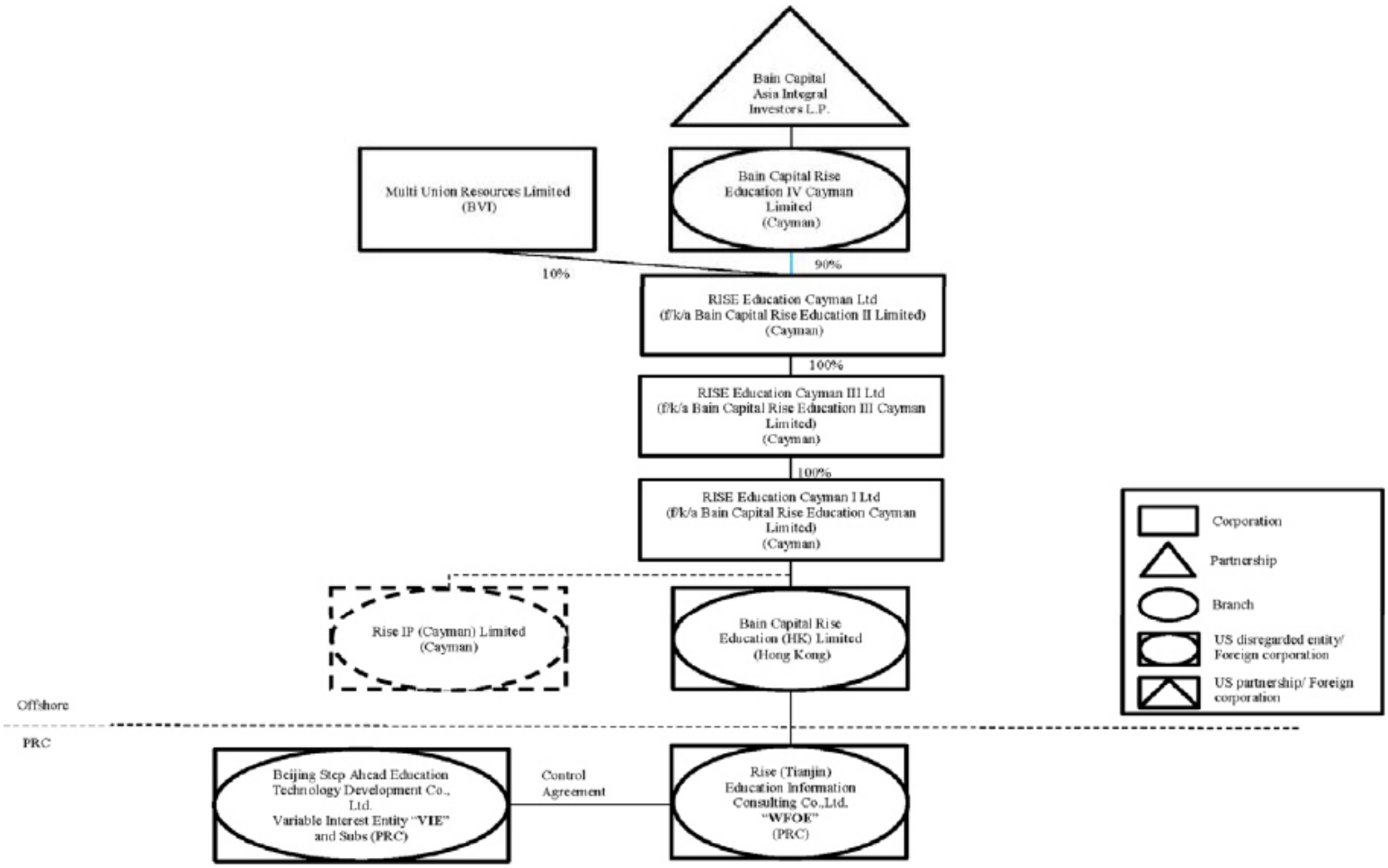
[*Lender*]

By: _____

NOTES:

* Delete as applicable.

Schedule 13
Group Structure Chart


Bain Capital Asia Integral Investors L.P.
Multi Union Resources Limited (BVI)
Bain Capital Rise Education IV Cayman Limited (Cayman)
10%
90%
RISE Education Cayman Ltd (f/k/a Bain Capital Rise Education II Limited) (Cayman)
100%
RISE Education Cayman III Ltd (f/k/a Bain Capital Rise Education III Cayman Limited) (Cayman)
100%
RISE Education Cayman I Ltd (f/k/a Bain Capital Rise Education Cayman Limited) (Cayman)
Rise IP (Cayman) Limited (Cayman)
Bain Capital Rise Education (HK) Limited (Hong Kong)
Offshore
PRC
Beijing Step Ahead Education Technology Development Co., Ltd. Variable Interest Entity "VIE" and Subs (PRC)
Control Agreement
Rise (Tianjin) Education Information Consulting Co.,Ltd. "WFOE" (PRC)
Corporation
Partnership
Branch
US disregarded entity/ Foreign corporation
US partnership/ Foreign corporation

Schedule 14
Hedging Principles

The Borrower may, at any time after the First Utilisation Date enter into, and thereafter maintain, one or more Hedging Agreement(s) to hedge the Borrower's interest rate exposure in respect of up to 100 per cent. (but not more than 100 per cent.) of the aggregate principal amount then outstanding under the Facilities from time to time, subject to the terms of the Security Trust Agreement, **provided that**:

1. each such Hedging Agreement shall only be entered into with person(s) that is or are, at the time of its or their entering into such Hedging Agreement, a "Hedge Counterparty" as defined in, and for the purposes of, the Security Trust Agreement;

2. the Hedging Parameters (as defined in the Security Trust Agreement) shall have been agreed in writing between the Borrower, the Facility Agent and the Security Agent prior to the Borrower's entry into any such Hedging Agreement;

3. none of such Hedging Agreement(s) shall be entered into for speculative purposes; and

4. the commercial effect of such Hedging Agreement(s) (in aggregate for any and all such Hedging Agreement(s)) is that up to 100 per cent. (but not more than 100 per cent.) of the aggregate principal amount then outstanding under the Facilities from time to time bear interest at a fixed rate.

Schedule 15
Form of Incremental Facility Increase Confirmation

To: [ ] as Facility Agent, [ ] as Security Agent and [ ] as Borrower

From: [*the proposed Incremental Facility Original Lender*] (the **"Relevant Incremental Facility Original Lender"**)

Dated:

Facilities Agreement
dated [ ] between, among others, [ ] as borrower, [ ] as facility agent and [ ] as security agent (as amended and/or supplemented from time to time, the "Facilities Agreement")

1. We refer to the Facilities Agreement and to the Security Trust Agreement (as defined in the Facilities Agreement). This agreement (the "**Agreement**") shall take effect as an Incremental Facility Increase Confirmation for the purpose of the Facilities Agreement and as a Creditor Accession Undertaking for the purposes of the Security Trust Agreement (and as defined in the Security Trust Agreement). Terms defined in the Facilities Agreement have the same meaning in this Agreement unless given a different meaning in this Agreement.

2. We refer to Clause 2.5 (*Incremental Facilities*) of the Facilities Agreement and the Incremental Facility Notice dated [ ] from the Borrower to the Facility Agent (the "**Relevant Incremental Facility Notice**") and the Incremental Facility specified in such Relevant Incremental Facility Notice (the "**Relevant Incremental Facility**").

3. The Relevant Incremental Facility Original Lender agrees to assume and will assume all of the obligations corresponding to the Incremental Facility Commitment (in respect of the Relevant Incremental Facility) specified in the Schedule (the "**Relevant Commitment**" in respect of the Relevant Incremental Facility) as if was a Lender originally party to the Agreement with such Relevant Commitment (in addition to any Commitment in respect of any Facility which the Relevant Incremental Facility Original Lender may already have).

4. The proposed date on which the assumption of such Relevant Commitment by the Relevant Incremental Facility Original Lender is to take effect (the "**Relevant Incremental Facility Accession Date**") is [ ].

5. On the Relevant Incremental Facility Accession Date, the Relevant Incremental Facility Original Lender becomes:

   (a) party to the Facilities Agreement as a Lender, and becomes a Lender for the purposes of each other Finance Document; and

   (b) party to the Security Trust Agreement as a "Senior Lender" (as defined in the Security Trust Agreement).

6. The Facility Office and address and fax number of, and attention details for notices to, the Relevant Incremental Facility Original Lender for the purposes of Clause 33.2 (*Addresses*) of the Facilities Agreement are set out in the Schedule.

7. The Increase Lender expressly acknowledges the limitations on the Lenders' obligations referred to in paragraph (h) of Clause 2.5 (*Incremental Facilities*) of the Facilities Agreement.

8. The Relevant Incremental Facility Original Lender confirms that it is not a Total Transaction Obligor, a Group Member, any Affiliate of any of the foregoing, or a Sponsor Affiliate.

9. We refer to clause 19.10 (*Creditor Accession Undertaking*) of the Security Trust Agreement.

In consideration of the Relevant Incremental Facility Original Lender being accepted as a Senior Lender for the purposes of and as defined in the Security Trust Agreement, the Relevant Incremental Facility Original Lender confirms that, as from the Relevant Incremental Facility Accession Date, it intends to be party to the Security Trust Agreement as a "Senior Lender" (as defined in the Security Trust Agreement), and undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by a Senior Lender (as defined in the Security Trust Agreement) and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement as a Senior Lender (as defined in the Security Trust Agreement).

10. This Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement.

11. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

12. This Agreement has been entered into on the date stated at the beginning of this Agreement.

Note:

The execution of this Incremental Facility Increase Confirmation may not be sufficient for the Relevant Incremental Facility Original Lender to obtain the benefit of the Transaction Security in all jurisdictions. It is the responsibility of the Relevant Incremental Facility Original Lender to ascertain whether any other documents or other formalities are required to obtain the benefit of the Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

THE SCHEDULE

Relevant Commitment (in respect of the Relevant Incremental Facility) to be assumed by the Relevant Incremental Facility Original Lender

[*insert relevant details*]

[*Facility Office address, fax number and attention details for notices and account details for payments*]

[*Relevant Incremental Facility Original Lender*]

By: _____

This Agreement is accepted as an Incremental Facility Increase Confirmation for the purposes of the Facilities Agreement by the Facility Agent and as a Creditor Accession Undertaking for the purposes of and as defined in the Security Trust Agreement by the Security Agent and the Relevant Incremental Facility Accession Date is confirmed as [ ].

[*Facility Agent*] as Facility Agent

By:

[*Security Agent*] as Security Agent

By: _____

DATED 14 July 2016
(as amended and restated on 19 September 2017)

CTBC BANK CO., LTD.
as Senior Agent

The Hedge Counterparties (as defined herein)

The Senior Lenders (as defined herein)

CTBC BANK CO., LTD.
as Senior Arranger

RISE EDUCATION CAYMAN III LTD
as ParentCo

RISE EDUCATION CAYMAN I LTD
as Borrower

CTBC BANK CO., LTD.
as Security Agent

and

others

SECURITY TRUST AGREEMENT

CONTENTS

THIS AGREEMENT is dated 14 July 2016 and amended and restated on September 2017 and made between:

BETWEEN:

(1) **CTBC BANK CO., LTD.** as Senior Agent;

(2) **THE PERSONS** set out in Schedule 1 (*Senior Lenders*) as Senior Lenders;

(3) **CTBC BANK CO., LTD.** as Senior Arranger;

(4) **RISE EDUCATION CAYMAN III LTD** (formerly Bain Capital Rise Education III Cayman Limited), an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 279811 and having its registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands ("**ParentCo**");

(5) **RISE EDUCATION CAYMAN I LTD** (formerly Bain Capital Rise Education Cayman Limited), an exempted company incorporated with limited liability under the laws of the Cayman Islands with registered number 278734 and having its registered office at Maples Corporate Services Limited, P.O. Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1104, Cayman Islands (the "**Borrower**");

(6) **THE PERSON(S)** set out in Schedule 2 (*Original Intra-Group Lender(s)*) as original intra-Group lender(s) (each an "**Original Intra-Group Lender**");

(7) **THE PERSONS** set out in Schedule 3 (*Original Debtors*) as original debtors (each an "**Original Debtor**");

(8) **THE PERSON(S)** set out in Schedule 4 (*Original Subordinated Creditor(s)*) as original subordinated creditor(s) (each an "**Original Subordinated Creditor**"); and

(9) **CTBC BANK CO., LTD.** as security trustee for the Secured Parties (the "**Security Agent**").

SECTION 1
INTERPRETATION

IT IS AGREED as follows:

1. **DEFINITIONS AND INTERPRETATION**

1.1 **Definitions**

In this Agreement:

"**Acceleration Event**" means:

(a) the delivery by the Senior Agent of any notice under and pursuant to clause 24.18 (*Acceleration*) of the Senior Facility Agreement; or

(b) any Debtor shall have failed to repay any Senior Facility Loan (or any part thereof) on the final maturity date therefor (or such earlier date when all of the outstanding Senior Facility Loan(s) shall have become repayable in accordance with the terms of the Senior Facility Finance Documents).

"**Amendment and Restatement Agreement**" means the deed of amendment agreement dated September 2017 between, among others, the Borrower, the Senior Agent and the Security Agent.

"**Amendment Effective Date**" has the meaning given to the term "Effective Date" in the Amendment and Restatement Agreement.

"**Appropriation**" means the appropriation (or similar process) of the shares or equity interests in any Group Member or any Debtor (other than ParentCo) by the Security Agent (or any Receiver or Delegate) which is effected (to the extent permitted under the applicable Security Document relating to such shares or equity interests and applicable law) by enforcement of Transaction Security (or any part thereof).

"**Borrowing Liabilities**" means, in relation to a Group Member or a Debtor, the liabilities and obligations (not being Guarantee Liabilities) which it may from time to time have as a principal debtor to any or all of the Creditors (other than the Senior Arranger or the Senior Agent) and/or the Debtors in respect of Financial Indebtedness arising under and/or evidenced by the Debt Documents (whether incurred solely or jointly and including liabilities and obligations as a borrower under the Senior Facility Finance Documents).

"**Cash Proceeds**" means:

(a) proceeds of the Security Property (or any part thereof) which are in the form of cash; and

(b) any cash which is generated by holding, managing, exploiting, collecting, realising or disposing of any proceeds of the Security Property (or any part thereof) which are in the form of Non-Cash Consideration.

"**Charged Property**" means all of the assets which from time to time are, or are expressed to be, the subject of the Transaction Security (or any part thereof).

"**Common Currency**" means US dollars.

"**Common Currency Amount**" means (a) in relation to any amount that is not denominated in the Common Currency, that amount converted into the Common Currency at the Security Agent's Spot Rate of Exchange on the Business Day prior to the applicable date of determination or (b) in relation to any amount that is denominated in the Common Currency, that amount.

"**Competitive Sales Process**" means:

(a) any auction or other competitive sales process; and/or

(b) any enforcement of Transaction Security carried out by way of auction or other competitive sales process pursuant to requirements of applicable law.

"**Consent**" means any consent, approval, release or waiver or agreement to any amendment.

"**Creditor Accession Undertaking**" means:

(a) (in the case of any person that is to become party to this Agreement as a Senior Lender, a Hedge Counterparty, a Senior Agent, an Intra-Group Lender or a Subordinated Creditor where paragraphs (b) to (e) below do not apply) an undertaking substantially in the form set out in Schedule 6 (*Form of Creditor Accession Undertaking*);

(b) (in the case of any person that is to become party to this Agreement as a Senior Lender in connection with any transfer or assignment by any Senior Lender of any rights or obligations under any Senior Facility Finance Documents or any Senior Facility Liabilities to such person) a Transfer Certificate or an Assignment Agreement (each as defined in the Senior Facility Agreement) in respect of such transfer or assignment, **provided that** it contains an accession to this Agreement in substantially the form set out in Schedule 6 (*Form of Creditor Accession Undertaking*);

(c) (in the case of any person that is to become party to this Agreement as a Senior Lender in connection with an increase in Commitment (as defined in the Senior Facility Agreement) in respect of any Facility (as defined in the Senior Facility Agreement) under and pursuant to the terms of the Senior Facility Agreement) an Increase Confirmation (as defined in the Senior Facility Agreement) in respect of such increase, **provided that** it contains an accession to this Agreement in substantially the form set out in Schedule 6 (*Form of Creditor Accession Undertaking*);

(d) (in the case of any person that is to become party to this Agreement as a Senior Lender in connection with the establishment of an Incremental Facility (as defined in the Senior Facility Agreement) and the participation of such person in such Incremental Facility (as defined in the Senior Facility Agreement) as an Incremental Facility Original Lender (as defined in the Senior Facility Agreement)) an Incremental Facility Increase Confirmation (as defined in the Senior Facility Agreement) to which such person is a party, **provided that** it contains an accession to this Agreement in substantially the form set out in Schedule 6 (*Form of Creditor Accession Undertaking*); or

(e) (in the case of any person that is to become party to this Agreement as an "Intra-Group Lender" where such person is also simultaneously becoming party to this Agreement as a Debtor pursuant to a Debtor Accession Deed) that Debtor Accession Deed.

"**Creditors**" means the Senior Creditors, the Intra-Group Lenders, ParentCo and the Subordinated Creditors.

"**Debt Disposal**" means any disposal of any Liabilities or Debtors' Intra-Group Receivables pursuant to paragraph (d) or (e) of Clause 13.1 (*Facilitation of Distressed Disposals and Appropriation*).

"**Debt Documents**" means this Agreement, the Hedging Agreements, the Senior Facility Finance Documents, the Transaction Security Documents, any agreement governing or evidencing the terms of any of the ParentCo Liabilities, the Intra-Group Liabilities and/or the Subordinated Liabilities and any other document designated as a "Debt Document" by the Security Agent and the Borrower in writing (each a "**Debt Document**").

"**Debtor Accession Deed**" means:

(a) a deed substantially in the form set out in Schedule 5 (*Form of Debtor Accession Deed*); or

(b) (only in the case of a Group Member which is acceding to the Senior Facility Agreement as a guarantor in respect of the Senior Facility Liabilities) an Accession Deed (as defined in the Senior Facility Agreement), **provided that** it contains an accession to this Agreement in substantially the form set out in Schedule 5 (*Form of Debtor Accession Deed*).

"**Debtors**" means the Original Debtors and any person which becomes party hereto as a "Debtor" in accordance with the terms of Clause 19 (*Changes to the Parties*) (each a "**Debtor**").

"**Debtors' Intra-Group Receivables**" means, in relation to any Group Member or any Debtor, any liabilities and obligations owed to any Debtor (whether actual or contingent and whether incurred solely or jointly) by that first-mentioned Group Member or Debtor.

"**Delegate**" means any delegate, agent, attorney or co-trustee appointed by the Security Agent.

"**Distress Event**" means any of:

(a) an Acceleration Event; or

(b) the enforcement of any Transaction Security.

"**Distressed Disposal**" means a disposal (excluding, for the avoidance of doubt, any lease or licence) of an asset of any Group Member or any Debtor which is:

(a) being effected in circumstances where any Transaction Security over such asset has become enforceable;

(b) being effected by enforcement of any Transaction Security (including the disposal of such asset by such Group Member or such Debtor, where any Equity Interests in such Group Member or such Debtor have been subject to an Appropriation); or

(c) being effected, after the occurrence of a Distress Event, by a Group Member or a Debtor to a person or persons none of whom is a Group Member or a Debtor.

"**Enforcement Action**" means:

(a) in relation to any Liabilities:

(i) the acceleration of any Liabilities or the making of any declaration that such Liabilities are prematurely due and payable (other than as a result of it becoming unlawful for a Senior Facility Creditor to perform its obligations under, or of any voluntary or mandatory prepayment arising under, any of the Debt Documents);

(ii) the making of any declaration that any Liabilities are payable on demand (such declaration being made prior to the stated maturity of such Liabilities);

(iii) the making of a demand in relation to a Liability that is payable on demand (prior to the stated maturity of such Liability) (other than a demand made by an Intra-Group Lender in relation to any Intra-Group Liabilities owing by a Debtor or a Group Member which are on-demand Liabilities to the extent (A) that such demand is made in the ordinary course of dealings between such Debtor or such Group Member and such Intra-Group Lender and (B) that any resulting Payment pursuant to such demand would be a Permitted Intra-Group Payment);

(iv) the making of any demand against any Group Member or any Debtor in relation to any Guarantee Liabilities of that Group Member or Debtor;

(v) the exercise of any right to require any Group Member or any Debtor to acquire any Liability (including exercising any put or call option against any Group Member or any Debtor for the redemption or purchase of any Liability);

(vi) the exercise of any right of set-off, account combination or payment netting against any Group Member or any Debtor in respect of any Liabilities other than the exercise of any such right:

(A) by a Hedge Counterparty in relation to Hedging Liabilities which exercise is expressly excluded as an "Enforcement Event" pursuant to the Hedging Parameters;

(B) which is otherwise expressly permitted under the Senior Facility Agreement to the extent that the exercise of that right gives effect to a Permitted Payment; and/or

(C) in respect of the set-off of any Subordinated Liabilities owing by ParentCo to any Subordinated Creditor (which is, for the avoidance of doubt, not a Group Member) against any obligations or liabilities owing by such Subordinated Creditor to ParentCo to the extent that the exercise of that right gives rise to a Permitted Payment; and

(vii) the suing for, commencing or joining of any legal or arbitration proceedings against any Group Member or any Debtor to recover any Liabilities;

(b) the termination or close-out of any hedging transaction under any Hedging Agreement prior to its stated maturity (other than any termination or close-out that is expressly excluded as an "Enforcement Event" pursuant to the Hedging Parameters);

(c) the taking of any steps to enforce or require the enforcement of any Transaction Security (including the crystallisation of any floating charge forming part of the Transaction Security) or any rights under any Transaction Security Document;

(d) the entering into of any composition, compromise, assignment or arrangement with any Group Member or any Debtor which owes any Liabilities or which has given any Security, guarantee or indemnity or other assurance against loss in respect of any of the Liabilities (other than any action permitted under Clause 19 (*Changes to the Parties*)); or

(e) the petitioning, applying or voting for, or the taking of any steps (including the appointment of any liquidator, receiver, administrator or similar officer) in relation to, the winding up, dissolution, administration or reorganisation of any Group Member or any Debtor which owes any Liabilities, or which has given any Security, guarantee, indemnity or other assurance against loss in respect of any of the Liabilities, or any of such Group Member's or Debtor's assets or any suspension of payments or moratorium of any indebtedness of any such Group Member or Debtor, or any analogous procedure or step in any jurisdiction, except that none of the following shall constitute Enforcement Action:

(i) the taking of any action falling within paragraphs (a)(vii) or (e) above which is necessary (but only to the extent necessary) to preserve the validity, existence or priority of claims in respect of any of the Liabilities, including the registration of such claims before any court or governmental authority and the bringing, supporting or joining of proceedings to prevent any loss of the right to bring, support or join proceedings by reason of applicable limitation periods; or

(ii) any Senior Creditor bringing legal proceedings against any person solely for the purpose of:

(A) obtaining injunctive relief (or any analogous remedy outside England and Wales) to restrain any actual or putative breach of any Debt Document to which it is party;

(B) obtaining specific performance (other than specific performance of an obligation to make a payment) with no claim for damages; or

(C) requesting judicial interpretation of any provision of any Debt Document to which it is party with no claim for damages.

"**Facility B Transaction Security**" means the Distribution Account Charge and any other Transaction Security over or in respect of the Distribution Account or any amount standing to the credit of the Distribution Account at any time.

"**Fairness Opinion**" means, in respect of a Distressed Disposal or a Liabilities Sale, an opinion that the proceeds received or recovered in connection with that Distressed Disposal or Liabilities Sale are fair from a financial point of view taking into account all relevant circumstances.

"**Financial Adviser**" means any:

(a) independent internationally recognised investment bank;

(b) independent internationally recognised accountancy firm; or

(c) other independent internationally recognised professional services firm which is regularly engaged in providing valuations of businesses or financial assets or, where applicable, advising on competitive sales processes.

"**Guarantee Liabilities**" means, in relation to a Group Member or a Debtor, the liabilities and obligations under the Debt Documents (present or future, actual or contingent and whether incurred solely or jointly) which such Group Member or Debtor may have to any or all of the Creditors (other than to the Senior Arranger or the Senior Agent) and/or Debtors as or as a result of its being a guarantor or surety (including liabilities and obligations arising by way of guarantee, indemnity, contribution or subrogation and in particular any guarantee or indemnity arising under or in respect of the Senior Facility Finance Documents).

"**Hedge Counterparty**" means any person which becomes party hereto as a "Hedge Counterparty" pursuant to Clause 19.10 *(Creditor Accession Undertaking*) and which is or has become party to the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement).

"**Hedging Accession Conditions**" has the meaning given to that term in Clause 19.10 (*Creditor Accession Undertaking*).

"**Hedging Agreement**" means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by the Borrower and a Hedge Counterparty for the purpose of hedging interest rate liabilities and/or risks (and/or foreign exchange exposures and/or risks) in relation to any or all of the Senior Facility Loans in accordance with the provisions of the Senior Facility Finance Documents.

"**Hedging Liabilities**" means the Liabilities owed by any Debtor to any or all of the Hedge Counterparties under or in connection with any or all of the Hedging Agreements.

"**Hedging Parameters**" means the requirements and parameters from time to time agreed and identified in writing between the Borrower, the Senior Agent (acting on the instructions of all of the Senior Lenders) and the Security Agent as "Hedging Parameters" for the purposes of this Agreement.

"**Insolvency Event**" means, in relation to any Group Member or any Debtor:

(a) any resolution is passed or order made for the winding up, bankruptcy, dissolution, administration or reorganisation of that Group Member or Debtor, a moratorium is declared in relation to any indebtedness of that Group Member or Debtor or an administrator is appointed to that Group Member or Debtor;

(b) any composition, compromise, assignment or arrangement is made with any of its creditors; or

(c) the appointment of any liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer in respect of that Group Member or Debtor or any of its assets,

or any procedure or formal step analogous to any of paragraphs (a), (b) and (c) above is taken in any jurisdiction.

"**Instructing Group**" has the meaning given to that term in Clause 11.1 (*Enforcement Instructions*).

"**Intra-Group Lender**" means:

(a) any Original Intra-Group Lender; or

(b) any other Group Member which has made any loan or Financial Indebtedness available to, granted credit to or made any other financial arrangement having similar effect with, or to whom any loan or Financial Indebtedness is owing from, another Group Member and which becomes party hereto as an "Intra-Group Lender" in accordance with the terms of Clause 19 (*Changes to the Parties*).

"**Intra-Group Liabilities**" means the Liabilities owed by any Group Member to any of the Intra-Group Lenders.

"**Liabilities**" means all present and future liabilities and obligations at any time of any or all of the Group Members and/or Debtors to:

(i) any or all of the Creditors under any or all of the Debt Documents; and/or

(ii) ParentCo, any Group Member or any Subordinated Creditor under or in respect of any loan, credit, Financial Indebtedness or other financial accommodation (including principal and interest thereof and thereon) from time to time made available by or outstanding in favour of ParentCo, such Group Member or such Subordinated Creditor (as the case may be),

(in each case) both actual and contingent and whether incurred solely or jointly, as principal or surety or in any other capacity, together with any of the following matters relating to or arising in respect of those liabilities and obligations:

(a) any refinancing, novation, deferral or extension;

(b) any claim for breach of representation, warranty or undertaking or on an event of default or under any indemnity given under or in connection with any document or agreement evidencing or constituting any other liability or obligation falling within this definition;

(c) any claim for damages or restitution; and

(d) any claim as a result of any recovery by any Debtor or any Group Member of a Payment on the grounds of preference or otherwise,

and any amounts which would be included in any of the above but for any discharge, non-provability, unenforceability or non-allowance of those amounts in any insolvency or other proceedings.

"**Liabilities Acquisition**" means, in relation to a person and to any Liabilities, a transaction where that person:

(a) purchases by way of assignment or transfer;

(b) enters into any sub-participation in respect of; or

(c) enters into any other agreement or arrangement having an economic effect substantially similar to a sub-participation in respect of, the rights in respect of those Liabilities.

"**Liabilities Sale**" means a Debt Disposal pursuant to paragraph (d) or (e) of Clause 13.1 (*Facilitation of Distressed Disposals and Appropriation*).

"**Majority Senior Creditors**" means (save as otherwise expressly agreed and set out in the Hedging Parameters) the Majority Senior Lenders.

"**Majority Senior Creditors (Excluding Facility B)**" means, at any time, one or more of the Senior Creditors whose aggregate Senior Credit Participations (Excluding Facility B) at that time is more than $66^{2}/_{3}$ per cent. of the aggregate Senior Credit Participations (Excluding Facility B) of all of the Senior Creditors at that time.

"**Majority Senior Facility B Creditors**" means, at any time, one or more of the Senior Lenders whose aggregate Senior Facility B Credit Participations at that time is more than $66^{2}/_{3}$ per cent. of the aggregate Senior Facility B Credit Participations (of all of the Senior Lenders) at that time.

"**Majority Senior Lenders**" has the meaning given to the term "Majority Lenders" in the Senior Facility Agreement.

"**Non-Cash Consideration**" means consideration in a form other than cash.

"**Non-Cash Recoveries**" means:

(a) any proceeds of a Distressed Disposal or a Debt Disposal; or

(b) any amount distributed to the Security Agent pursuant to Clause 9.1 (*Turnover by the Creditors*),

which are, or is, in the form of Non-Cash Consideration.

"**Non-Distressed Disposal**" has the meaning given to that term in Clause 12.1 (*Definitions*).

"**Other Liabilities**" means, in relation to a Group Member or a Debtor, any trading and other liabilities and obligations (not being Borrowing Liabilities or Guarantee Liabilities) which such Group Member or Debtor may have to a Subordinated Creditor, ParentCo, an Intra-Group Lender or a Debtor.

"**ParentCo Liabilities**" means all Liabilities owed by the Borrower or any other Group Member to ParentCo.

"**Party**" means a party to this Agreement.

"**Payment**" means, in respect of any Liabilities or any other liabilities or obligations, any payment, prepayment, repayment, redemption, defeasance or discharge of those Liabilities or those other liabilities or obligations (as the case may be).

"**Payment Default**" means any Default under clause 24.1 (*Non-payment*) of the Senior Facility Agreement in relation to any non-payment of any of the Secured Obligations.

"**Permitted Hedge Payments**" means Payments of Hedging Liabilities, which Payments are expressly permitted by the Hedging Parameters.

"**Permitted Intra-Group Payments**" means the Payments of Intra-Group Liabilities permitted by Clause 5.2 (*Permitted Payments: Intra-Group Liabilities*).

"**Permitted ParentCo Payments**" means the Payments of ParentCo Liabilities permitted by Clause 6.2 (*Permitted Payments: ParentCo Liabilities*).

"**Permitted Payment**" means a Permitted Senior Facility Payment, a Permitted Hedge Payment, a Permitted Intra-Group Payment, a Permitted ParentCo Payment or a Permitted Subordinated Creditor Payment.

"**Permitted Senior Facility Payments**" means the Payments of Senior Facility Liabilities permitted by Clause 3.1 (*Payment of Senior Facility Liabilities*).

"**Permitted Subordinated Creditor Payments**" means the Payments of Subordinated Liabilities permitted by Clause 7.2 (*Permitted Payments: Subordinated Liabilities*).

"**Property**" of a Group Member or of a Debtor means:

(a) any asset of that Group Member or of that Debtor;

(b) any Subsidiary of that Group Member or of that Debtor (or any Equity Interest in any such Subsidiary); and/or

(c) any asset of any such Subsidiary.

"**Receiver**" means a receiver or receiver and manager or administrative receiver of the whole or any part of the Charged Property.

"**Recoveries**" has the meaning given to that term in Clause 17.1 (*Order of application*).

"**Relevant Intra-Group Borrower**" has the meaning given to that term in Clause 19.9 (*New Intra-Group Lender and Subordinated Creditor*).

"**Relevant Intra-Group Lender**" has the meaning given to that term in Clause 19.9 (*New Intra-Group Lender and Subordinated Creditor*).

"**Relevant Intra-Group Transferee**" has the meaning given to that term in Clause 19.8 (*Change of Intra-Group Lender*).

"**Relevant Liabilities**" means:

(a) in the case of a Creditor:

(i) the Liabilities owed to Creditors ranking (in accordance with the terms of this Agreement) *pari passu* with or in priority to that first-mentioned Creditor; and

(ii) all present and future liabilities and obligations, actual and contingent, of the Debtors to the Security Agent; and

(b) in the case of a Debtor, the Liabilities owed to the Creditors together with all present and future liabilities and obligations, actual and contingent, of the Debtors to the Security Agent.

"**Secured Obligations**" means all the Liabilities and all other present and future liabilities and obligations at any time due, owing or incurred by any or all of the Group Members and the Debtors to any or all of the Secured Parties under the Debt Documents, both actual and contingent and whether incurred solely or jointly and as principal or surety or in any other capacity.

"**Secured Parties**" means the Security Agent, any Receiver or any Delegate and each of the Senior Creditors from time to time but, in the case of any Senior Creditor, only if it is a party to this Agreement or has become party to this Agreement, in the applicable capacity, pursuant to Clause 19.10 (*Creditor Accession Undertaking*).

"**Security Agent's Spot Rate of Exchange**" means, in respect of the conversion of one currency (the "**First Currency**") into another currency (the "**Second Currency**") the Security Agent's spot rate of exchange (or, if the Security Agent's spot rate of exchange is not available, such other prevailing rate of exchange as may be selected by the Security Agent (acting reasonably)) for the purchase of the Second Currency with the First Currency in an applicable foreign exchange market (selected by the Security Agent (acting reasonably)) at or about 11:00 am (Hong Kong time) on the applicable date of determination, which shall be notified by the Security Agent in accordance with paragraph (e) of Clause 18.3 (*Duties of the Security Agent*).

"**Security Documents**" means:

(a) each of the Transaction Security Documents (as defined in the Senior Facility Agreement);

(b) any other document entered into at any time by any of the Debtors creating any guarantee, indemnity, Security or other assurance against financial loss in favour of any of the Secured Parties as security for, or in respect of, any of the Secured Obligations; and

(c) any Security granted under any covenant for further assurance in any of the documents referred to in paragraphs (a) and (b) above.

"**Security Property**" means:

(a) the Transaction Security expressed to be granted in favour of the Security Agent as trustee for the Secured Parties and all proceeds of any Transaction Security;

(b) all rights granted to the Security Agent under the Transaction Security Documents and the proceeds thereof;

(c) all obligations expressed to be undertaken by a Debtor to pay amounts in respect of any Liabilities or Secured Obligations to the Security Agent as trustee for the Secured Parties and secured by any Transaction Security together with all representations and warranties expressed to be given by a Debtor in favour of the Security Agent as trustee for the Secured Parties;

(d) the Security Agent's interest in any trust fund created pursuant to Clause 9 (*Turnover of Receipts*); and

(e) any other amounts or property, whether rights, entitlements, choses in action or otherwise, actual or contingent, which the Security Agent is required by the terms of the Debt Documents to hold as trustee on trust for the Secured Parties.

"**Senior Agent**" means the facility agent from time to time acting for and on behalf of the Senior Facility Creditors under the Senior Facility Agreement.

"**Senior Arranger**" means the mandated lead arranger under the Senior Facility Agreement.

"**Senior Credit Participation**" means, at any time:

(a) (in relation to a Senior Lender) the Common Currency Amount of the aggregate (without duplication) of its participation in the outstanding principal amount of any or all of the Senior Facility Loan(s) plus (if any) its commitment in respect of any or all of the Senior Facilities (or any part thereof) made or to be made available under the Senior Facility Agreement which commitment is unutilised and remains available for utilisation under and in accordance with the terms of the Senior Facility Agreement; and

(b) (in relation to a Hedge Counterparty) the amount determined to be the "Senior Credit Participation" (as defined in the Hedging Parameters) of such Hedge Counterparty in accordance with the Hedging Parameters.

"**Senior Credit Participation (Excluding Facility B)**" means any Senior Credit Participation excluding any Senior Facility B Credit Participation.

"**Senior Creditors**" means the Senior Facility Creditors and the Hedge Counterparties.

"**Senior Discharge Date**" means the first date on which all of the Secured Obligations have been fully and finally discharged to the satisfaction of:

(a) the Senior Agent (in the case of any Senior Facility Liabilities);

(b) each Hedge Counterparty (in the case of Hedging Liabilities owing to it); and

(c) the Security Agent (in the case of any other Secured Obligations),

in each case whether or not as the result of an enforcement, and none of the Senior Creditors is under any further obligation to provide financial accommodation to any of the Debtors under any of the Debt Documents.

"**Senior Facility**" has the meaning given to the term "Facility" in the Senior Facility Agreement.

"**Senior Facility Agreement**" means the facilities agreement dated 14 July 2016 between, among others, the Borrower, the Senior Arranger, the Senior Agent and the Security Agent as amended and restated pursuant to the Amendment and Restatement Agreement.

"**Senior Facility B Creditor**" means any Senior Lender that has any participation in Facility B or any Facility B Loan or in favour of which any Senior Facility B Liabilities are owing.

"**Senior Facility B Credit Participation**" means, at any time in relation to a Senior Lender, the Common Currency Amount of the aggregate (without duplication) of its participation in the outstanding principal amount of any or all of the Facility B Loan(s) plus (if any) its commitment in respect of Facility B (or any part thereof) made or to be made available under the Senior Facility Agreement which commitment is unutilised and remains available for utilisation under and in accordance with the terms of the Senior Facility Agreement.

"**Senior Facility B Discharge Date**" means the first date on which:

(a) all of the Senior Facility B Liabilities arising under or pursuant to the Senior Facility Finance Documents have been fully and finally discharged to the satisfaction of the Senior Agent, whether or not as the result of an enforcement; and

(b) none of the Senior Facility Creditors are under any further obligation to provide financial accommodation to any of the Debtors in respect of Facility B under any of the Senior Facility Finance Documents.

"**Senior Facility B Liabilities**" means Senior Facility Liabilities attributable to Facility B or any Facility B Loan.

"**Senior Facility Creditors**" means the Senior Agent, the Senior Arranger and each Senior Lender (each a "**Senior Facility Creditor**").

"**Senior Facility Discharge Date**" means the first date on which:

(a) all of the Senior Facility Liabilities arising under or pursuant to the Senior Facility Finance Documents have been fully and finally discharged to the satisfaction of the Senior Agent, whether or not as the result of an enforcement; and

(b) none of the Senior Facility Creditors is under any further obligation to provide financial accommodation to any of the Debtors under any of the Senior Facility Finance Documents.

"**Senior Facility Finance Documents**" has the meaning given to the term "Finance Documents" in the Senior Facility Agreement.

"**Senior Facility Liabilities**" means the Liabilities owed by any or all of the Debtors to any or all of the Senior Facility Creditors under the Senior Facility Finance Documents.

"**Senior Facility Liabilities (Excluding Facility B)**" means the Senior Facility Liabilities (excluding any Senior Facility Liabilities in respect of principal or interest on any Facility B Loan).

"**Senior Facility Loan**" has the meaning given to the term "Loan" in the Senior Facility Agreement.

"**Senior Guarantee**" has the meaning given to the term "Guarantee" in the Senior Facility Agreement.

"**Senior Guarantor**" means:

(a) any "Guarantor" as defined in the Senior Facility Agreement; and

(b) any person (other than a Secured Party) party to any Senior Guarantee.

"**Senior Lender**" means a lender in respect of any Senior Facility (or any part thereof).

"**Senior Liabilities**" means the Senior Facility Liabilities and the Hedging Liabilities.

"**Senior PRC Guarantee**" means any Senior Guarantee given by a Debtor that is incorporated or established in the PRC or governed by the laws of the PRC.

"**Subject Amendment**" means any amendment or waiver which is subject to Clause 25 (*Consents, Amendments and Override*).

"**Subordinated Creditor**" means:

(a) any Original Subordinated Creditor; or

(b) any person which:

(i) is not ParentCo or a Group Member and has made (or is to make) any loan or Financial Indebtedness available to, granted (or is to grant) credit to or made (or is to make) any other financial arrangement having similar effect with, or is a person to whom any loan or Financial Indebtedness is (or is to be) owing from, ParentCo, any Debtor or any Group Member; and

(ii) becomes party hereto as a "Subordinated Creditor" in accordance with the terms of Clause 19 (*Changes to the Parties*).

"**Subordinated Liabilities**" means the Liabilities (other than, for the avoidance of doubt, ParentCo Liabilities and Intra-Group Liabilities) owed to any or all of the Subordinated Creditors by any or all of ParentCo, the Debtors and/or Group Members.

"**Term Outstandings**" means, at any time, the aggregate of the amounts of principal (not including any capitalised or deferred interest) of all of the Senior Facility Loan(s) then outstanding under the Senior Facility Agreement.

"**Total Hedging Liabilities Cap**" means the amount (if any) determined to be the "Total Hedging Liabilities Cap" pursuant to and as defined in the Hedging Parameters.

"**Transaction Security**" means the Security created or evidenced or expressed to be created or evidenced under or pursuant to the Security Documents.

"**Transaction Security Documents**" means:

(a) each of the Security Documents;

(b) each Senior Guarantee (other than any guarantee and indemnity granted under clause 19 (*Guarantee and indemnity*) of the Senior Facility Agreement); and

(c) each other document designated in writing as a "Transaction Security Document" by the Security Agent and the Borrower.

1.2 **Construction**

(a) Unless a contrary intention appears, or otherwise defined herein, terms and expressions defined in or construed for the purposes of the Senior Facility Agreement shall have the same meaning herein and the rules of construction set out in clauses 1.2 (*Construction*) and 1.3 (*Currency symbols and definitions*) of the Senior Facility Agreement shall apply to this Agreement *mutatis mutandis*. Unless a contrary indication appears, a reference in this Agreement to:

(i) any **Hedge Counterparty**, **Intra-Group Lender**, **Security Agent**, **Senior Agent**, **Senior Arranger**, **Senior Creditor**, **Senior Facility Creditor**, **Senior Lender** or **Subordinated Creditor** shall be construed to be a reference to it in its capacity as such and not in any other capacity;

(ii) any **Debtor**, **Hedge Counterparty**, **Intra-Group Lender**, **ParentCo**, **Borrower, Security Agent**, **Senior Agent**, **Senior Arranger**, **Senior Creditor**, **Senior Facility Creditor**, **Senior Lender** or **Subordinated Creditor** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees and, in the case of the Security Agent, any person for the time being appointed as Security Agent or Security Agents in accordance with this Agreement;

(iii) an "**amount**" includes an amount of cash and an amount of Non-Cash Consideration;

(iv) "**assets**" includes present and future properties, revenues and rights of every description;

(v) a **Debt Document** or any other agreement or instrument is (other than a reference to a **Debt Document** or any other agreement or instrument in "**original form**") a reference to that Debt Document, or other agreement or instrument, as amended, novated, supplemented, extended or restated as permitted by this Agreement;

(vi) a "**distribution**" of or out of the assets of a Group Member or a Debtor, includes a distribution of cash and a distribution of Non-Cash Consideration;

(vii) "**enforcing**" (or any derivation thereof) Transaction Security includes the appointment of an administrator (or any analogous officer in any jurisdiction) of a Debtor by the Security Agent;

(viii) a "**group of Creditors**" includes all the Creditors (and/or any group of less than all of the Creditors) and a "**group of Senior Creditors**" includes all the Senior Creditors (and/or any group of less than all of the Senior Creditors);

(ix) "**including**" (or similar expressions) means including without limitation;

(x) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(xi) the "**original form**" of a Debt Document or any other agreement or instrument is a reference to that Debt Document, agreement or instrument as originally entered into, except that any reference to the "**original form**" of the Senior Facility Agreement is a reference to the Senior Facility Agreement (as amended and restated pursuant to the Amendment and Restatement Agreement) in the form subsisting on the Amendment Effective Date;

(xii) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium, partnership or other entity (whether or not having separate legal personality);

(xiii) "**proceeds**" includes proceeds in cash and in Non-Cash Consideration;

(xiv) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law but, if not having the force of law, being of a type with which any person to which it applies is accustomed to comply) of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organisation; and

(xv) a provision of law is a reference to that provision as amended or re-enacted.

(b) Section, Clause and Schedule headings are for ease of reference only.

(c) Any reference in this Agreement or any other Debt Document to the date of this Agreement shall be a reference to 14 July 2016 (notwithstanding any subsequent amendment and/or restatement of this Agreement).

1.3 **Third party rights**

(a) Unless expressly provided to the contrary in this Agreement, a person who is not a Party has no right under the Contracts (Rights of Third Parties) Act 1999 (the "**Third Parties Act**") to enforce or to enjoy the benefit of any term of this Agreement.

(b) Notwithstanding any term of this Agreement (including paragraph (a) above), the consent of any person who is not a Party is not required to rescind, amend, vary or waive any provision of this Agreement at any time.

(c) Any Receiver, Delegate or any other person described in paragraph (b) of Clause 18.10 (*Exclusion of liability*) may, subject to this Clause 1.3 and the Third Parties Act, rely on any Clause of this Agreement which expressly confers rights on it.

SECTION 2
RANKING AND SENIOR CREDITORS

2. RANKING AND PRIORITY

2.1 Liabilities

Each of the Parties agrees that the Liabilities owed by the Debtors to the Creditors shall rank in right and priority of payment in the following order and are postponed and subordinated to any prior ranking Liabilities as follows:

(a) **first**, the Senior Facility Liabilities and the Hedging Liabilities *pari passu* and without any preference between them;

(b) **second**, the Subordinated Liabilities, the Intra-Group Liabilities and the ParentCo Liabilities.

2.2 Transaction Security

Each of the Parties agrees that:

(a) the Transaction Security (other than any Facility B Transaction Security) shall secure Liabilities owed to the Secured Parties (but only to the extent that such Transaction Security is expressed to secure those Liabilities) on a *pari passu* basis and without any preference between them in respect of such Transaction Security; and

(b) the Facility B Transaction Security shall secure the Senior Facility B Liabilities owed to the Secured Parties (but only to the extent that such Transaction Security is expressed to secure those Senior Facility B Liabilities) on a *pari passu* basis and without any preference between them in respect of such Facility B Transaction Security.

2.3 Subordinated and Intra-Group Liabilities

(a) Each of the Parties agrees that the Subordinated Liabilities, the Intra-Group Liabilities and the ParentCo Liabilities are postponed and subordinated to the Liabilities owed by the Debtors to the Senior Creditors.

(b) This Agreement does not purport to rank any of the Subordinated Liabilities, the Intra-Group Liabilities or the ParentCo Liabilities as between themselves.

3. SENIOR FACILITY CREDITORS AND SENIOR FACILITY LIABILITIES

3.1 Payment of Senior Facility Liabilities

The Debtors may make Payments of the Senior Facility Liabilities at any time in accordance with the Senior Facility Finance Documents, **provided that** (following the occurrence of a Distress Event or an Insolvency Event) any Payment by any Debtor in respect of any of the Senior Facility Liabilities shall be paid to the Security Agent for application in accordance with Clause 17 (*Application of Proceeds*) and, for the avoidance of doubt, any Payment of any of the Senior Facility Liabilities received or recovered by any Senior Facility Creditor (other than through distribution of Recoveries in accordance with Clause 17 (*Application of Proceeds*)) following the occurrence of any such Distress Event or Insolvency Event shall be subject to Clause 9 (*Turnover of Receipts*).

3.2 **Restriction on Enforcement: Senior Facility Creditors**

No Senior Facility Creditor may take any Enforcement Action under paragraph (c) of the definition thereof in relation to any Transaction Security or Transaction Security Document without the prior written Consent of the Instructing Group in respect of such Transaction Security or Transaction Security Document.

4. HEDGE COUNTERPARTIES AND HEDGING LIABILITIES

4.1 Identity of Hedge Counterparties

No person providing hedging arrangements to or party to any hedging transaction with any Debtor or any Group Member shall be entitled to share in any of the Transaction Security or in the benefit of any Transaction Security Document or any guarantee or indemnity under any Debt Document or this Agreement and none of the liabilities or obligations arising in relation to any such hedging arrangements or hedging transaction shall be treated as Hedging Liabilities unless such hedging arrangements or hedging transaction relates to liabilities arising under any Senior Facility or any Senior Facility Loan and that person:

(a) is or becomes a party to this Agreement as a Hedge Counterparty in accordance with Clause 19.10 (*Creditor Accession Undertaking*); and

(b) is or becomes party to the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement) in accordance with Clause 19.10 (*Creditor Accession Undertaking*),

and **provided that** (i) (except as otherwise consented to by the Senior Agent) such hedging arrangements are entered into, or, as the case may be, such hedging transaction is entered into, in accordance with the Hedging Parameters and the Senior Facility Agreement and (ii) the Hedging Accession Conditions are satisfied.

4.2 No acquisition of Hedging Liabilities

None of the Debtors shall, and each of the Debtors shall procure that no other Group Member will:

(a) enter into any Liabilities Acquisition in respect of any of the Hedging Liabilities; or

(b) beneficially own or be interested in (directly or indirectly) all or any part of the Equity Interests in, (i) any Hedge Counterparty or (ii) any person that is party to a Liabilities Acquisition in respect of any of the Hedging Liabilities,

unless the prior consent of the Senior Agent is obtained.

4.3 **Terms of Hedging Agreements**

The Hedging Agreements, the Hedge Counterparties and the Debtors shall comply with the requirements of the Hedging Parameters (including restrictions on any Payment of Hedging Liabilities, any guarantee or Security relating to Hedging Liabilities, any Enforcement Action relating to Hedging Liabilities, any amendment or waiver relating to any Hedging Agreement).

SECTION 3
OTHER CREDITORS

5. INTRA-GROUP LENDERS AND INTRA-GROUP LIABILITIES

5.1 Restriction on Payment: Intra-Group Liabilities

Prior to the Senior Discharge Date, none of the Debtors shall, and the Borrower shall procure that no Group Member will, make any Payment of any of the Intra-Group Liabilities at any time unless:

(a) that Payment is permitted under Clause 5.2 (*Permitted Payments: Intra-Group Liabilities*); or

(b) (without prejudice to Clause 9 (*Turnover of Receipts*)) the taking or receipt of that Payment is permitted under paragraph (c) of Clause 5.7 (*Permitted Enforcement: Intra-Group Lenders*).

5.2 Permitted Payments: Intra-Group Liabilities

(a) Subject to paragraph (b) below, each of the Debtors and Group Members may make any Payment in respect of the Intra-Group Liabilities (whether of principal, interest or otherwise) owing by it from time to time when due to, **provided that** such Payment is not prohibited under any of the Senior Facility Finance Documents.

(b) No Payment in respect of any of the Intra-Group Liabilities may be made pursuant to paragraph (a) above if, at the time of such Payment, an Acceleration Event has occurred unless:

(i) the consent of the Senior Agent shall have been obtained in respect of such Payment; or

(ii) that Payment is made to facilitate and all of the proceeds of that Payment are, directly or indirectly, applied towards Payments of the Senior Liabilities (that are Permitted Payments).

5.3 Payment obligations continue

No Debtor or Group Member shall be released from any liability to make any Payment (including of default interest, which shall continue to accrue) under any Debt Document by the operation of Clauses 5.1 (*Restriction on Payment: Intra-Group Liabilities*) and/or 5.2 (*Permitted Payments: Intra-Group Liabilities*) even if its obligation to make that Payment is restricted at any time by the terms of any of those Clauses.

5.4 **Acquisition of Intra-Group Liabilities**

(a) Subject to paragraph (b) below, each Debtor (that is a Group Member) may, and may permit any other Group Member to:

(i) enter into any Liabilities Acquisition; or

(ii) beneficially own or be interested in all or any part of the Equity Interests in (directly or indirectly), any company or person that is party to a Liabilities Acquisition,

in respect of any Intra-Group Liabilities at any time.

(b) Subject to paragraph (c) below, no action described in paragraph (a) above may take place in respect of any Intra-Group Liabilities if:

(i) that action would result in a breach of any Senior Facility Finance Document or would have a similar effect as a Payment of any Intra-Group Liabilities that is not permitted under Clause 5.2 (*Permitted Payments: Intra-Group Liabilities*); or

(ii) at the time of that action, an Acceleration Event has occurred.

(c) The restrictions in paragraph (b) above shall not apply to any action described in paragraph (a) if:

(i) the consent of the Senior Agent (acting on the instructions of the Majority Senior Lenders) shall have been obtained in respect of that action; or

(ii) that action is taken to facilitate and all of the proceeds of that Payment are, directly or indirectly, applied towards Payments of the Senior Liabilities (that are Permitted Payments).

5.5 **Security: Intra-Group Lenders**

Prior to the Senior Discharge Date, none of the Intra-Group Lenders may take, accept or receive the benefit of any Security, guarantee, indemnity or other assurance against loss in respect of any of the Intra-Group Liabilities, unless the prior written consent of the Senior Agent (acting on the instructions of the Majority Senior Lenders) shall have been obtained.

5.6 **Restriction on enforcement: Intra-Group Lenders**

Subject to Clause 5.7 (*Permitted Enforcement: Intra-Group Lenders*), none of:

(a) the Intra-Group Lenders shall be entitled to take any Enforcement Action in respect of any of the Intra-Group Liabilities at any time prior to the Senior Discharge Date; or

(b) the Intra-Group Lenders or the Debtors shall take any Enforcement Action falling within paragraph (e) of the definition of "Enforcement Action" at any time prior to the Senior Discharge Date.

5.7 **Permitted Enforcement: Intra-Group Lenders**

After the occurrence of an Insolvency Event in relation to any Group Member or Debtor and without prejudice to Clause 9 (*Turnover of Receipts*), each Intra-Group Lender may (unless otherwise directed by the Security Agent or unless the Security Agent has taken, or has given notice that it intends to take, action on behalf of that Intra-Group Lender in accordance with Clause 8.4 (*Filing of claims*)), exercise any right it may otherwise have against that Group Member or Debtor to:

(a) accelerate any of the Intra-Group Liabilities owing by that Group Member or Debtor or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by that Group Member or Debtor in respect of any Intra-Group Liabilities;

(c) exercise any right of set-off or take or receive any Payment in respect of any Intra-Group Liabilities owing by that Group Member or Debtor; or

(d) claim and prove in the liquidation of that Group Member or Debtor for the Intra-Group Liabilities owing to such Intra-Group Lender.

5.8 **Relevant Intra-Group Lenders and Relevant Intra-Group Borrowers**

(a) Where a Relevant Intra-Group Lender is not party to this Agreement as an Intra-Group Lender pursuant to the provisions of paragraph (a) of Clause 19.9 (*New Intra-Group Lender and Subordinated Creditor*), each Debtor shall procure that such Relevant Intra-Group Lender shall comply with the provisions of this Agreement as if such Relevant Intra-Group Lender were party hereto as an "Intra-Group Lender", and that all of the provisions of this Agreement with respect to Intra-Group Liabilities shall be complied with (as if Intra-Group Liabilities included Liabilities (construed as if such Relevant Intra-Group Lender were party to this Agreement as an Intra-Group Lender) owed by any Group Member to such Relevant Intra-Group Lender).

(b) Where a Relevant Intra-Group Borrower is not party to this Agreement as a Debtor pursuant to the provisions of paragraph (a) of Clause 19.11 (*New Debtor*), each Debtor shall procure that such Relevant Intra-Group Borrower shall apply with the provisions of this Agreement as if it were party hereto as a "Debtor", and that all of the provisions of this Agreement with respect to Intra-Group Liabilities shall be complied with (as if Intra-Group Liabilities included Liabilities (construed as if such Relevant Intra-Group Borrower were party to this Agreement as a Debtor) owed by such Relevant Intra-Group Borrower to any Group Member).

(c) For the avoidance of doubt, (i) any reference in this Agreement to a Relevant Intra-Group Lender shall include a reference to a Relevant Intra-Group Transferee and (ii) neither any Relevant Intra-Group Lender nor any Relevant Intra-Group Borrower that is not party to this Agreement shall have any rights under this Agreement.

5.9 **Representations: Intra-Group Lenders**

Each Intra-Group Lender which is not a Debtor represents and warrants to each of the Senior Creditors and the Security Agent that:

(a) it is a limited liability corporation or company, duly incorporated and validly existing and, where applicable, in good standing under the laws of its jurisdiction of incorporation;

(b) the obligations expressed to be assumed by it in this Agreement are, subject to the Legal Reservations, legal, valid, binding and enforceable obligations; and

(c) the entry into and performance by it of, and the transactions contemplated by, this Agreement does not conflict with:

(i) any applicable law or regulation;

(ii) its Constitutional Documents; or

(iii) any agreement or instrument binding upon it or any of its assets or constitute a default or termination event (however described) under any such agreement or instrument.

6. PARENTCO AND PARENTCO LIABILITIES

6.1 **Restriction on Payment: ParentCo Liabilities**

Prior to the Senior Discharge Date, neither the Borrower nor any other Debtor shall, and the Borrower shall procure that no Group Member will, make any Payment of the ParentCo Liabilities at any time unless:

(a) that Payment is permitted under Clause 6.2 (*Permitted Payments: ParentCo Liabilities*); or

(b) (without prejudice to Clause 9 (*Turnover of Receipts*)) the taking or receipt of that Payment is permitted under Clause 6.7 (*Permitted Enforcement: ParentCo*).

6.2 **Permitted Payments: ParentCo Liabilities**

The Borrower may make any Payment in respect of any of the ParentCo Liabilities then due from it if:

(a) that Payment is in respect of the ParentCo Liabilities owing by the Borrower to ParentCo and constitutes a Permitted Distribution; or

(b) the prior written consent of the Senior Agent (acting on the instructions of the Majority Senior Lenders) shall have been obtained in respect of that Payment.

Without prejudice to the foregoing, each of the Debtors shall ensure that none of the ParentCo Liabilities shall be repaid, paid or discharged out of the proceeds of, or set-off against, any Senior Facility Loan.

6.3 **No acquisition of ParentCo Liabilities**

Prior to the Senior Discharge Date, neither the Borrower nor any other Debtor shall, and the Borrower shall procure that no other Group Member will:

(a) enter into any Liabilities Acquisition; or

(b) beneficially own or be interested in (directly or indirectly) all or any part of the Equity Interests in, any company or person that is party to a Liabilities Acquisition,

in respect of any of the ParentCo Liabilities, unless the prior written consent of the Senior Agent (acting on the instructions of the Majority Senior Lenders) shall have been obtained.

6.4 **Amendments and Waivers: ParentCo Liabilities**

Prior to the Senior Discharge Date, ParentCo may not amend or waive the terms of, or the terms of any agreement governing or evidencing the terms of, any of the ParentCo Liabilities if such amendment or waiver is inconsistent with the terms of this Agreement or any other Senior Facility Finance Document.

6.5 **Security: ParentCo Liabilities**

Prior to the Senior Discharge Date, ParentCo may not take, accept or receive the benefit of any Security, guarantee, indemnity or other assurance against loss in respect of any of the ParentCo Liabilities, unless the prior written consent of the Senior Agent (acting on the instructions of the Majority Senior Lenders) shall have been obtained.

6.6 **Restriction on Enforcement: ParentCo**

Subject to Clause 6.7 (*Permitted Enforcement: ParentCo*), ParentCo shall not:

(a) be entitled to take any Enforcement Action in respect of any of the ParentCo Liabilities at any time prior to the Senior Discharge Date; or

(b) take any Enforcement Action falling within paragraph (e) of the definition of "Enforcement Action" at any time prior to the Senior Discharge Date.

6.7 **Permitted Enforcement: ParentCo**

After the occurrence of an Insolvency Event in relation to the Borrower or any other Group Member and without prejudice to Clause 9 (*Turnover of Receipts*), ParentCo may, if so directed by the Security Agent or if the prior consent of the Security Agent shall have been obtained, exercise any right it may otherwise have against the Borrower or that Group Member to:

(a) accelerate any of the ParentCo Liabilities owing by the Borrower or that Group Member or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by the Borrower or that Group Member in respect of any ParentCo Liabilities;

(c) exercise any right of set-off or take or receive any Payment in respect of any ParentCo Liabilities owing by the Borrower or that Group Member (subject to the restriction in the last paragraph of Clause 6.2 (*Permitted Payments: ParentCo Liabilities*)); or

(d) claim and prove in the liquidation of the Borrower or that Group Member for the ParentCo Liabilities owing by it to ParentCo.

7. SUBORDINATED LIABILITIES

7.1 **Restriction on Payment: Subordinated Liabilities**

Prior to the Senior Discharge Date, none of ParentCo, the Borrower or any other Debtor shall, and the Borrower shall procure that no Group Member will, make any Payment of the Subordinated Liabilities at any time unless:

(a) that Payment is permitted under Clause 7.2 (*Permitted Payments: Subordinated Liabilities*); or

(b) (without prejudice to Clause 9 (*Turnover of Receipts*), the taking or receipt of that Payment is permitted under Clause 7.7 (*Permitted Enforcement: Subordinated Creditors*).

7.2 **Permitted Payments: Subordinated Liabilities**

ParentCo may make any Payment in respect of any of the Subordinated Liabilities then due from it if that Payment is:

(a) a Payment made in cash or by way of set-off in respect of the Subordinated Liabilities owing by ParentCo; and

(b) made prior to the occurrence of any Insolvency Event (in relation to ParentCo, the Borrower, any other Debtor or any Group Member) or any Distress Event.

7.3 **No acquisition of Subordinated Liabilities**

Prior to the Senior Discharge Date, none of ParentCo, the Borrower or any other Debtor shall, and the Borrower shall procure that no Group Member will:

(a) enter into any Liabilities Acquisition; or

(b) beneficially own or be interested in (directly or indirectly) all or any part of the Equity Interests in, any company or person that is party to a Liabilities Acquisition,

in respect of any of the Subordinated Liabilities, unless the prior written consent of the Senior Agent (acting on the instructions of the Majority Senior Lenders) shall have been obtained.

7.4 **Amendments and Waivers: Subordinated Creditors**

Prior to the Senior Discharge Date, none of the Subordinated Creditors may amend, waive or agree the terms of any of the Subordinated Liabilities or the terms of any of the documents or instruments pursuant to which any of the Subordinated Liabilities are constituted or governing or evidencing the terms of any of the Subordinated Liabilities if such amendment, waiver or agreement is inconsistent with the terms of this Agreement or any other Senior Facility Finance Document.

7.5 **Security: Subordinated Creditors**

Prior to the Senior Discharge Date, none of the Subordinated Creditors may take, accept or receive the benefit of any Security, guarantee, indemnity or other assurance against loss in respect of any of the Subordinated Liabilities (in each case from any Debtor or any Group Member) unless the prior written consent of the Senior Agent (acting on the instructions of the Majority Senior Lenders) shall have been obtained.

7.6 **Restriction on Enforcement: Subordinated Creditors**

Subject to Clause 7.7 (*Permitted Enforcement: Subordinated Creditors*), no Subordinated Creditor shall:

(a) be entitled to take any Enforcement Action in respect of any of the Subordinated Liabilities at any time prior to the Senior Discharge Date; and

(b) take any Enforcement Action falling within paragraph (e) of the definition of "Enforcement Action" at any time prior to the Senior Discharge Date.

7.7 **Permitted Enforcement: Subordinated Creditors**

After the occurrence of an Insolvency Event in relation to ParentCo, the Borrower, any other Debtor or any Group Member and without prejudice to Clause 9 (*Turnover of Receipts*), each Subordinated Creditor may, if so directed by the Security Agent or if the prior consent of the Security Agent shall have been obtained, exercise any right it may otherwise have in respect of ParentCo, the Borrower, that Group Member or that Debtor to:

(a) accelerate any of the Subordinated Liabilities owing by ParentCo, the Borrower, that Debtor or that Group Member or declare them prematurely due and payable or payable on demand;

(b) make a demand under any guarantee, indemnity or other assurance against loss given by ParentCo, the Borrower, that Debtor or that Group Member in respect of any Subordinated Liabilities;

(c) exercise any right of set-off or take or receive any Payment in respect of any Subordinated Liabilities owing by ParentCo, the Borrower, that Debtor or that Group Member; or

(d) claim and prove in the liquidation of ParentCo, the Borrower, that Debtor or that Group Member for the Subordinated Liabilities owing to such Subordinated Creditor.

7.8 **Representations: Subordinated Creditors**

Each of the Subordinated Creditors and the Distribution Account Holder represents and warrants to each of the Senior Creditors and the Security Agent that:

(a) it is a limited liability corporation or company, duly incorporated and validly existing and, where applicable, in good standing under the laws of its jurisdiction of incorporation;

(b) the obligations expressed to be assumed by it in this Agreement are, subject to the Legal Reservations, legal, valid, binding and enforceable obligations; and

(c) the entry into and performance by it of, and the transactions contemplated by, this Agreement does not conflict with:

(i) any applicable law or regulation;

(ii) its Constitutional Documents; or

(iii) any agreement or instrument binding upon it or any of its assets or constitute a default or termination event (however described) under any such agreement or instrument.

SECTION 4
INSOLVENCY, TURNOVER AND ENFORCEMENT

8. EFFECT OF INSOLVENCY EVENT

8.1 Distributions

(a) After the occurrence of an Insolvency Event in relation to any Group Member or Debtor, any Party entitled to receive a distribution out of the assets of that Group Member or Debtor in respect of Liabilities or Secured Obligations owed to that Party shall, to the extent it is able to do so, without breaching any relevant law or regulation, direct the person responsible for the distribution of the assets of that Group Member or Debtor to make that distribution to the Security Agent (or to such other person as the Security Agent may direct) until all of the Secured Obligations have been paid in full and no Secured Party is under any actual or contingent obligation to make available any financial accommodation under any Debt Document and no hedging transaction is outstanding under any Hedging Agreement.

(b) Without prejudice to the provisions of Clause 9.1 *(Turnover by the Creditors*), paragraph (a) above does not apply to any distribution out of the assets of ParentCo in respect of any Subordinated Liabilities owing by ParentCo.

(c) The Security Agent shall apply distributions made to it pursuant to paragraph (a) above in accordance with Clause 17 *(Application of Proceeds*).

8.2 Set-Off

To the extent that any Liabilities or Secured Obligations owing by any Group Member or Debtor are discharged by way of set-off (mandatory or otherwise) after the occurrence of an Insolvency Event in relation to that Group Member or Debtor, any Creditor which benefited from that set-off shall pay an amount equal to the amount of the Liabilities or Secured Obligations owed to it which are discharged by that set-off to the Security Agent for application in accordance with Clause 17 *(Application of Proceeds*).

8.3 Non-cash distributions

If the Security Agent or any other Secured Party receives a distribution in the form of Non-Cash Consideration in respect of any of the Liabilities or Secured Obligations (other than any distribution of Non-Cash Recoveries in accordance with paragraph (a) of Clause 14.1 *(Security Agent and Non-Cash Recoveries*) and Clause 17 *(Application of Proceeds*)), none of the Liabilities or Secured Obligations will be reduced by that distribution until and except to the extent that the proceeds of realisation of such distribution are actually applied towards discharge of such Liabilities or Secured Obligations (as the case may be).

8.4 **Filing of claims**

After the occurrence of an Insolvency Event in relation to any Group Member or Debtor, each of the Creditors irrevocably authorises the Security Agent, on its behalf, to:

(a) take any Enforcement Action (in accordance with the terms of this Agreement) against that Group Member or Debtor (excluding any Enforcement Action in respect of Subordinated Liabilities owing by ParentCo);

(b) demand, sue, prove and give receipt for any or all of the Liabilities and/or Secured Obligations owing by that Group Member or Debtor (other than Subordinated Liabilities owing by ParentCo);

(c) collect and receive all distributions on, or on account of, any or all of the Liabilities and/or Secured Obligations owing by that Group Member or Debtor (other than Subordinated Liabilities owing by ParentCo); and

(d) file claims, take proceedings and do all other things the Security Agent considers reasonably necessary to recover the Liabilities and/or Secured Obligations owing by that Group Member or Debtor (other than Subordinated Liabilities owing by ParentCo).

8.5 **Further assurance – Insolvency Event**

Each of the Creditors will:

(a) do all things that the Security Agent requests in order to give effect to this Clause 8; and

(b) if the Security Agent is not entitled to take any of the actions contemplated by this Clause 8 or if the Security Agent requests that a Creditor take that action, undertake that action itself in accordance with the instructions of the Security Agent or grant a power of attorney to the Security Agent (on such terms as the Security Agent may reasonably require) to enable the Security Agent to take such action.

8.6 **Security Agent instructions**

For the purposes of Clause 8.1 (*Distributions*), Clause 8.4 (*Filing of claims*) and Clause 8.5 (*Further assurance – Insolvency Event*):

(a) the Security Agent shall act on the instructions of the Majority Senior Creditors (or, to the extent relating to any Transaction Security or Transaction Security Document, the instructions of the Instructing Group in respect of such Transaction Security or Transaction Security Document); or

(b) in the absence of any such instructions, the Security Agent may act (or refrain from taking action) as the Security Agent sees fit.

9. **TURNOVER OF RECEIPTS**

9.1 **Turnover by the Creditors**

Subject to Clause 9.2 *(Permitted assurance and receipts*), if at any time prior to the Senior Discharge Date, any Creditor receives or recovers:

(a) any Payment or distribution of, or on account of or in relation to, any of the Liabilities or Secured Obligations which is neither:

(i) a Permitted Payment; nor

(ii) made in accordance with Clause 17 *(Application of Proceeds*);

(b) other than where Clause 8.2 (*Set-Off*) applies, any amount by way of set-off in respect of any of the Liabilities or Secured Obligations owed to it which does not give effect to a Permitted Payment;

(c) notwithstanding paragraphs (a) and (b) above, and other than where Clause 8.2 (*Set-Off*) applies, any amount:

(i) on account of, or in relation to, any of the Liabilities or Secured Obligations:

(A) after the occurrence of a Distress Event or an Acceleration Event; or

(B) as a result of any other litigation or proceedings against a Group Member or a Debtor (other than after the occurrence of an Insolvency Event in respect of that Group Member or Debtor); or

(ii) by way of set-off in respect of any of the Liabilities or Secured Obligations owed to it after the occurrence of a Distress Event,

other than, in each case, any amount received or recovered in accordance with Clause 17 *(Application of Proceeds*);

(d) the proceeds of any enforcement of any Transaction Security or rights in respect of any Transaction Security Document, except (in each case) in accordance with Clause 17 *(Application of Proceeds*); or

(e) other than where Clause 8.2 *(Set-Off)* applies, any distribution or Payment of, or on account of or in relation to, any of the Liabilities or Secured Obligations owed by any Group Member or Debtor which is not in accordance with Clause 17 *(Application of Proceeds)* and which is made as a result of, or after, the occurrence of an Insolvency Event in respect of that Group Member or Debtor, that Creditor will:

(i) in relation to any receipt or recovery not received or recovered by way of set-off:

(A) hold an amount of that receipt or recovery equal to the Relevant Liabilities (or if less, the amount of that receipt or recovery) on trust for the Security Agent and promptly pay, deliver or distribute that amount to the Security Agent for application in accordance with the terms of this Agreement; and

(B) promptly pay, deliver or distribute an amount equal to the amount (if any) by which that receipt or recovery exceeds the Relevant Liabilities to the Security Agent for application in accordance with the terms of this Agreement; and

(ii) in relation to any receipt or recovery received or recovered by way of set-off, promptly pay an amount equal to that receipt or recovery to the Security Agent for application in accordance with the terms of this Agreement.

9.2 **Permitted assurance and receipts**

Nothing in this Agreement shall restrict the ability of any Senior Creditor to:

(a) arrange with any person which is not a Group Member or Debtor any assurance against loss in respect of, or reduction of its credit exposure to, any Liabilities owing by a Debtor (including assurance by way of credit based derivative or sub-participation); or

(b) make any assignment or transfer of any of the Liabilities permitted by Clause 19 *(Changes to the Parties)*,

which:

(i) is permitted by the Senior Facility Agreement; and

(ii) is not in breach of any of:

(A) Clause 4.2 *(No acquisition of Hedging Liabilities)*;

(B) Clause 6.3 *(No acquisition of ParentCo Liabilities)*; or

(C) Clause 7.3 *(No acquisition of Subordinated Liabilities)*,

and that Senior Creditor shall not be obliged to account to any other Party for any sum received by it as a result of that action and Clause 9.1 *(Turnover by the Creditors)* shall not apply to any such sum so received by it.

9.3 **Amounts received by Debtors**

If any of the Debtors receives or recovers any amount which, under the terms of any of the Debt Documents, should have been paid to the Security Agent, that Debtor will:

(a) hold an amount of that receipt or recovery equal to the Relevant Liabilities (or if less, the amount of that receipt or recovery) on trust for the Security Agent and promptly pay that amount to the Security Agent for application in accordance with the terms of this Agreement; and

(b) promptly pay an amount equal to the amount (if any) by which that receipt or recovery exceeds the Relevant Liabilities to the Security Agent for application in accordance with the terms of this Agreement.

9.4 **Saving provision**

If, for any reason, any of the trusts expressed to be created in this Clause 9 *(Turnover of Receipts*) in respect of any receipt or recovery by any Creditor or Debtor should fail or be unenforceable, such Creditor or Debtor will promptly pay, deliver or distribute an amount equal to that receipt or recovery to the Security Agent to be held on trust by the Security Agent for application in accordance with the terms of this Agreement.

9.5 **Turnover of Non-Cash Consideration**

For the purposes of this Clause 9, if any Creditor receives or recovers any amount or distribution in the form of Non-Cash Consideration which is subject to Clause 9.1 *(Turnover by the Creditors*), the cash value of that Non-Cash Consideration shall be determined in accordance with Clause 14.2 *(Cash value of Non-Cash Recoveries*).

10. **REDISTRIBUTION**

10.1 **Recovering Creditor's rights**

(a) Any amount paid, delivered or distributed by a Creditor (a "**Recovering Creditor**") to the Security Agent under Clause 8 *(Effect of Insolvency Event*) or Clause 9 *(Turnover of Receipts*) on account of any receipt or recovery in respect of any Debtor shall be treated as having been paid, delivered or distributed by such Debtor and distributed to the Security Agent and the Senior Creditors (each a "**Sharing Creditor**") in accordance with the terms of this Agreement.

(b) On a distribution by the Security Agent under paragraph (a) above of any amount paid, delivered or distributed to the Security Agent by a Recovering Creditor (the "**Shared Amount**") on account of any Payment or distribution received or recovered by such Recovering Creditor from or in respect of a Debtor, as between such Debtor and such Recovering Creditor, an amount equal to such Shared Amount will be treated as not having been paid or distributed by that Debtor.

10.2 **Reversal of redistribution**

(a) To the extent that any Payment or distribution received or recovered by a Recovering Creditor (giving rise to any Shared Amount) becomes repayable or returnable to a Debtor and is repaid or returned by that Recovering Creditor to that Debtor, then:

(i) each Sharing Creditor shall, upon request of the Security Agent, pay, deliver or distribute to the Security Agent for the account of that Recovering Creditor an amount equal to its share of such Shared Amount (together with an amount as is necessary to reimburse that Recovering Creditor for its share (being a proportion that is equal to its share of such Shared Amount) of any interest on such Payment or distribution which that Recovering Creditor is required to pay) (the "**Redistributed Amount**" in respect of such Sharing Creditor); and

(ii) as between such Debtor and each Sharing Creditor, an amount equal to the Redistributed Amount (in respect of such Sharing Creditor) will be treated as not having been paid or distributed by that Debtor.

(b) The Security Agent shall not be obliged to pay, deliver or distribute any Redistributed Amount (in respect of a Sharing Creditor) to a Recovering Creditor under paragraph (a)(i) above until it has been able to establish to its satisfaction that it has actually received that Redistributed Amount from that Sharing Creditor.

10.3 **Deferral of Subrogation**

(a) No Creditor (other than a Subordinated Creditor) or Debtor will exercise any rights which it may have by reason of the performance by it of its obligations under the Debt Documents to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Debt Documents of any Creditor (other than a Subordinated Creditor) which (or any Liability or Secured Obligations owing to whom) ranks ahead of it in accordance with the priorities set out in Clause 2 *(Ranking and Priority*) until such time as all of the Liabilities and Secured Obligations owing to each such prior ranking Creditor (or, in the case of any Debtor, owing to each of the Creditors (other than a Subordinated Creditor)) have been irrevocably paid in full and no Creditor is under any actual or contingent obligation to make available any financial accommodation under any Debt Document and no hedging transaction is outstanding under any Hedging Agreement.

(b) No Subordinated Creditor will exercise any rights which it may have to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights under the Debt Documents of any other Creditor until such time as all of the Liabilities and Secured Obligations owing to each of the Creditors (other than a Subordinated Creditor) have been irrevocably paid in full and no Creditor (other than a Subordinated Creditor) is under any actual or contingent obligation to make available any financial accommodation under any Debt Document and no hedging transaction is outstanding under any Hedging Agreement.

11. ENFORCEMENT OF TRANSACTION SECURITY

11.1 Enforcement Instructions

(a) The Security Agent may refrain from enforcing any Transaction Security or rights under any Transaction Security Document unless instructed otherwise by:

(i) (in the case of any Facility B Transaction Security or rights under any Transaction Security Document to the extent relating to any Facility B Transaction Security) the Majority Senior Facility B Creditors;

(ii) (in the case of any rights under any Senior PRC Guarantee) the Majority Senior Creditors (Excluding Facility B); or

(iii) (in any other case) the Majority Senior Creditors,

(the **"Instructing Group**" with respect to such Transaction Security or Transaction Security Document).

(b) Subject to any Transaction Security or any Transaction Security Document (or any rights thereunder) having become enforceable (or exercisable) in accordance with its terms, the Instructing Group (with respect to such Transaction Security or Transaction Security Document) may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing such Transaction Security or such Transaction Security Document (or to exercise or refrain from exercising such rights) as they see fit.

(c) The Security Agent is entitled to rely on and comply with instructions given in accordance with this Clause 11.1.

11.2 Manner of enforcement

If any Transaction Security or Transaction Security Document (or any rights thereunder) is (or are) being enforced pursuant to Clause 11.1 (*Enforcement Instructions*), the Security Agent shall enforce such Transaction Security or such Transaction Security Document (or such rights) in such manner (including the selection of any administrator (or any analogous officer in any jurisdiction) of any Debtor to be appointed by the Security Agent) as the Instructing Group (with respect to such Transaction Security or Transaction Security Document) shall instruct or, in the absence of any such instructions, as the Security Agent considers in its discretion to be appropriate.

11.3 Exercise of voting rights

(a) Each of the Creditors (other than the Senior Agent and the Senior Arranger) agrees with the Security Agent that it will cast its vote in any proposal put to the vote by or under the supervision of any judicial or supervisory authority in respect of any insolvency, pre-insolvency or rehabilitation or similar proceedings relating to any Group Member or Debtor as instructed by the Security Agent (in the case of a Subordinated Creditor, only to the extent that such vote or proposal relates to any matter contemplated by Clause 7.7 (*Permitted Enforcement: Subordinated Creditors*)).

(b) The Security Agent shall give instructions for the purposes of paragraph (a) above in accordance with any instructions given to it by the Majority Senior Creditors.

11.4 **Waiver of rights**

To the extent permitted under applicable law and subject to Clause 11.1 *(Enforcement Instructions*), Clause 11.2 *(Manner of enforcement*), Clause 13.4 *(Fair value*) and Clause 17 *(Application of Proceeds*), each of the Secured Parties and the Debtors waives all rights it may otherwise have to require that any Transaction Security or any Transaction Security Document (or any rights thereunder) be enforced in any particular order or manner or at any particular time or that any amount or distribution received or recovered from any person, or by virtue of the enforcement of any of the Transaction Security or any Transaction Security Document (or any rights thereunder) or of any other security interest, which is capable of being applied in or towards discharge of any of the Secured Obligations is so applied.

11.5 **Enforcement through Security Agent only**

Subject to Clause 18.28 *(Taiwanese Transaction Security*), the Secured Parties shall not have any independent power to enforce, or have recourse to, any of the Transaction Security or to exercise any right, power, authority or discretion arising under any of the Transaction Security Documents (in each case, relating to any Transaction Security) except through the Security Agent.

SECTION 5
NON-DISTRESSED DISPOSALS, DISTRESSED DISPOSALS AND CLAIMS

12. NON-DISTRESSED DISPOSALS

12.1 Definitions

In this Clause 12:

(a) "**Disposal Proceeds**" means the proceeds of a Non-Distressed Disposal.

(b) "**Non-Distressed Disposal**" means a disposal (excluding, for the avoidance of doubt, any lease or licence) of:

(i) an asset of a Group Member or a Debtor; or

(ii) an asset which is subject to the Transaction Security,

to a person or persons that are neither Group Members nor Debtors where:

(A) (prior to the Senior Facility Discharge Date) the Senior Agent notifies the Security Agent that that disposal is permitted under the Senior Facility Finance Documents; and

(B) that disposal is not a Distressed Disposal.

12.2 Facilitation of Non-Distressed Disposals

If an asset is being disposed of pursuant to a Non-Distressed Disposal:

(a) the Security Agent is irrevocably authorised (at the cost of the applicable Group Member or Debtor (that is the owner of or the grantor of Transaction Security over that asset) or the Borrower and without any consent, sanction, authority or further confirmation from any Creditor, other Secured Party or Debtor) but subject to paragraph (b) below:

(i) to release the Transaction Security and/or any other claim (relating to a Debt Document) over that asset;

(ii) where that asset consists of all of the shares or all of the equity interests (held or owned by any or all of the Debtors and/or Group Members) in a Debtor or a Group Member, to release the Transaction Security and/or any other claim (relating to a Debt Document and including any guarantees or indemnities given in respect of any Debt Document) over that Debtor's or that Group Member's Property; and

(iii) to execute and deliver or enter into any release of the Transaction Security over that asset and/or any claim described in paragraphs (i) and/or (ii) above and issue any certificates of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable in connection with that Non-Distressed Disposal; and

(b) each release of Transaction Security or claim described in paragraph (a) above in respect of any Non-Distressed Disposal shall become effective only on the consummation of such Non-Distressed Disposal.

12.3 **Disposal Proceeds**

If any Disposal Proceeds (in respect of a Non-Distressed Disposal) are required to be applied in mandatory prepayment of any of the Senior Liabilities then such Disposal Proceeds shall be applied in or towards Payment of such Senior Liabilities in accordance with the terms of the Senior Facility Finance Documents and the consent of any other Party shall not be required for that application.

13. **DISTRESSED DISPOSALS AND APPROPRIATION**

13.1 **Facilitation of Distressed Disposals and Appropriation**

If a Distressed Disposal or an Appropriation of an asset is being effected and (in the case of a Distressed Disposal falling within paragraph (c) of the definition of "Distressed Disposal") the prior consent of the Majority Senior Creditors (or, if such Distressed Disposal relates to any asset subject to Transaction Security, the prior consent of the Instructing Group in respect of such Transaction Security) shall have been obtained in respect of such Distressed Disposal, the Security Agent is irrevocably authorised (at the cost of the applicable Debtor (that is the owner of or the grantor of Transaction Security over that asset) or the Borrower and without any consent, sanction, authority or further confirmation from any Creditor, other Secured Party or Debtor):

(a) ***release of Transaction Security/non-crystallisation certificates***: to release the Transaction Security over that asset and/or any other claim over that asset (that is subject to such Distressed Disposal or Appropriation) and execute and deliver or enter into any release of that Transaction Security and/or claim and issue any letters of non-crystallisation of any floating charge or any consent to dealing that may, in the discretion of the Security Agent, be considered necessary or desirable in connection with such Distressed Disposal;

(b) ***release of liabilities and Transaction Security on a share sale/Appropriation (Debtor)***: if the asset (that is subject to such Distressed Disposal or Appropriation) consists of all of the shares or all of the equity interests in a Debtor (that are held or owned by any or all of the Debtors and/or Group Members), to release:

(i) that Debtor and any Subsidiary of that Debtor from all or any part of:

(A) its Borrowing Liabilities, any Liabilities owing by it to the Senior Agent and/or the Senior Arranger and any other Secured Obligations owing by it;

(B) its Guarantee Liabilities; and

(C) its Other Liabilities;

(ii) any Transaction Security granted by that Debtor or any Subsidiary of that Debtor over any of its assets; and

(iii) any other claim of a Subordinated Creditor, ParentCo, an Intra-Group Lender or any other Debtor over that Debtor's assets or over the assets of any Subsidiary of that Debtor or against that Debtor or any Subsidiary of that Debtor,

on behalf of any or all of the Creditors and Debtors (except for any release of Subordinated Liabilities owing by ParentCo);

(c) ***release of liabilities and Transaction Security on a share sale/Appropriation (Holding Company)***: if the asset (that is subject to such Distressed Disposal or Appropriation) consists of all of the shares or all of the equity interests in any Holding Company of a Debtor (that are held or owned by any or all of the Debtors and/or Group Members), to release:

(i) that Holding Company and any Subsidiary of that Holding Company (including such Debtor) from all or any part of:

(A) its Borrowing Liabilities, any Liabilities owing by it to the Senior Agent and/or the Senior Arranger and any other Secured Obligations owing by it;

(B) its Guarantee Liabilities; and

(C) its Other Liabilities;

(ii) any Transaction Security granted by that Holding Company or any Subsidiary of that Holding Company (including such Debtor) over any of its assets; and

(iii) any other claim of a Subordinated Creditor, ParentCo, an Intra-Group Lender or any other Debtor over the assets of that Holding Company or any Subsidiary of that Holding Company (including such Debtor) or against that Holding Company or any Subsidiary of that Holding Company (including such Debtor),

on behalf of any or all of the Creditors and the Debtors (except for any release of Subordinated Liabilities owing by ParentCo);

(d) ***facilitative disposal of liabilities on a share sale/Appropriation***: if the asset (that is subject to such Distressed Disposal or Appropriation) consists of all of the shares or all of the equity interests in a Debtor or the Holding Company of a Debtor (that are held or owned by any or all of the Debtors and/or Group Members) and the Security Agent decides to dispose of all or any part of:

(i) the Liabilities (other than Liabilities owing to the Senior Agent or the Senior Arranger); and/or

(ii) the Debtors' Intra-Group Receivables,

owed by that Debtor or Holding Company or any Subsidiary of that Debtor or Holding Company, on the basis that any transferee of those Liabilities or Debtors' Intra-Group Receivables (the "**Transferee**") will not be treated as a Senior Creditor or a Secured Party for the purposes of this Agreement, to execute and deliver or enter into any agreement to dispose of all or part of those Liabilities and/or Debtors' Intra-Group Receivables (excluding any Subordinated Liabilities owing by ParentCo) on behalf of the applicable Creditors and Debtors, and in such case notwithstanding any other provision of any Debt Document the Transferee shall not be treated as a Senior Creditor or a Secured Party for the purposes of this Agreement;

(e) ***sale of liabilities on a share sale/Appropriation***: if the asset (that is subject to such Distressed Disposal or Appropriation) consists of all of the shares or all of the equity interests in a Debtor or the Holding Company of a Debtor (that are held or owned by any or all of the Debtors and/or Group Members) and the Security Agent decides to dispose of all or any part of:

(i) the Liabilities (other than Liabilities owing to the Senior Agent or the Senior Arranger); and/or

(ii) the Debtors' Intra-Group Receivables,

owed by that Debtor or Holding Company or any Subsidiary of that Debtor or Holding Company, on the basis that any transferee of those Liabilities or Debtors' Intra-Group Receivables will be treated as a Senior Creditor and a Secured Party for the purposes of this Agreement, to execute and deliver or enter into any agreement to dispose of:

(A) all (and not part only) of those Liabilities owed by that Debtor or Holding Company or any Subsidiary of that Debtor or Holding Company to the Senior Creditors (other than Liabilities owing to the Senior Agent or the Senior Arranger); and

(B) all or part of any other Liabilities (other than (1) Liabilities owing to the Senior Agent or the Senior Arranger and (2) Subordinated Liabilities owing by ParentCo) and the Debtors' Intra-Group Receivables owed by that Debtor or Holding Company or any Subsidiary of that Debtor or Holding Company,

on behalf of, in each case, the applicable Creditors and Debtors; and

(f) ***transfer of obligations in respect of liabilities on a share sale/Appropriation***: if the asset (that is subject to such Distressed Disposal or Appropriation) consists of all of the shares or all of the equity interests in a Debtor or the Holding Company of a Debtor (the "**Disposed Entity**") that are held or owned by any or all of the Debtors and/or Group Members, and the Security Agent decides to transfer to another Debtor (the "**Receiving Entity**") all or any part of the Disposed Entity's obligations or any obligations of any Subsidiary of that Disposed Entity in respect of:

(i) the Intra-Group Liabilities;

(ii) the Debtors' Intra-Group Receivables; and/or

(iii) the ParentCo Liabilities and/or the Subordinated Liabilities (except for Subordinated Liabilities owing by ParentCo),

to execute and deliver or enter into any agreement to:

(A) agree to the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Debtors' Intra-Group Receivables, ParentCo Liabilities and/or Subordinated Liabilities on behalf of the applicable Intra-Group Lenders, Debtors, ParentCo and Subordinated Creditors to which those obligations are owed and on behalf of the Debtors or Group Members which owe those obligations; and

(B) accept the transfer of all or part of the obligations in respect of those Intra-Group Liabilities, Debtors' Intra-Group Receivables, ParentCo Liabilities and/or Subordinated Liabilities on behalf of the Receiving Entity or Receiving Entities to which the obligations in respect of those Intra-Group Liabilities, Debtors' Intra-Group Receivables, ParentCo Liabilities and/or Subordinated Liabilities (as the case may be) are to be transferred.

13.2 **Form of consideration for Distressed Disposals and Debt Disposals**

Subject to Clause 14.5 (*Security Agent protection*), a Distressed Disposal or a Debt Disposal may be made in whole or in part for consideration in the form of cash or, if not for cash, for Non-Cash Consideration which is acceptable to the Security Agent.

13.3 **Proceeds of Distressed Disposals and Debt Disposals**

The net proceeds of each of the Distressed Disposals and the Debt Disposals shall be paid, delivered or distributed to the Security Agent for application in accordance with Clause 17 (*Application of Proceeds*) as proceeds of enforcement of Transaction Security and, to the extent that:

(a) any Liabilities Sale has occurred; or

(b) any Appropriation has occurred,

as if that Liabilities Sale, or any reduction in the Secured Obligations resulting from that Appropriation, had not occurred.

13.4 **Fair value**

(a) In the case of:

(i) a Distressed Disposal; or

(ii) a Liabilities Sale,

effected by or at the request of the Security Agent, the Security Agent shall (acting on the instructions of the Majority Senior Creditors (or, in the case of any Distressed Disposal of any asset that is subject to any Transaction Security, the instructions of the Instructing Group in respect of such Transaction Security)) take reasonable care to obtain a fair market price or value having regard to the prevailing market conditions (but the Security Agent shall have no obligation to postpone (or request the postponement of) any Distressed Disposal or Liabilities Sale in order to achieve a higher price or value).

(b) The requirement in paragraph (a) above shall be satisfied (and as between the Creditors and the Debtors shall be conclusively presumed to be satisfied) and the Security Agent will be taken to have discharged all its obligations in this respect under this Agreement, the other Debt Documents and generally at law if:

(i) that Distressed Disposal or Liabilities Sale is made pursuant to any process or proceedings approved or supervised by or on behalf of any court of law;

(ii) that Distressed Disposal or Liabilities Sale is made by, at the direction of or under the control of, a liquidator, receiver, administrative receiver, administrator, compulsory manager or other similar officer (or any analogous officer in any jurisdiction) appointed in respect of a Group Member or a Debtor or the assets of a Group Member or a Debtor;

(iii) that Distressed Disposal or Liabilities Sale is made pursuant to a Competitive Sales Process; or

(iv) a Financial Adviser appointed by the Security Agent pursuant to Clause 13.5 (*Appointment of Financial Adviser*) has delivered a Fairness Opinion to the Security Agent in respect of that Distressed Disposal or Liabilities Sale.

13.5 **Appointment of Financial Adviser**

(a) Without prejudice to Clause 18.7 (*Rights and discretions*), the Security Agent may engage, or approve the engagement of, (in each case on such terms as it may consider appropriate (including restrictions on that Financial Adviser's liability and the extent to which any advice, valuation or opinion may be relied on or disclosed)), pay for and rely on the services of a Financial Adviser to provide advice, a valuation or an opinion in connection with:

(i) a Distressed Disposal or a Debt Disposal;

(ii) the application or distribution of any proceeds of a Distressed Disposal or a Debt Disposal; or

(iii) any amount of Non-Cash Consideration which is subject to Clause 9.1 (*Turnover by the Creditors*).

(b) For the purposes of paragraph (a) above, the Security Agent shall act:

(i) on the instructions of the Majority Senior Creditors (or, in the case of (A) any Distressed Disposal of any asset that is subject to Transaction Security, (B) the application or distributions of any proceeds of any Distressed Disposal of any asset that is subject to Transaction Security, or (C) any Non-Cash Consideration in respect of any Distressed Disposal of any asset that is subject to Transaction Security or enforcement of any Transaction Security, the Instructing Group in respect of such Transaction Security) if the applicable Financial Adviser is providing a valuation for the purposes of Clause 14.2 (*Cash value of Non-Cash Recoveries*); or

(ii) otherwise in accordance with Clause 13.6 (*Security Agent's actions*).

13.6 **Security Agent's actions**

For the purposes of Clause 13.1 (*Facilitation of Distressed Disposals and Appropriation*), Clause 13.2 (*Form of consideration for Distressed Disposals and Debt Disposals*) and Clause 13.4 (*Fair value*):

(a) in the case of any Appropriation or in the case of any Distressed Disposal (that is being effected by way of enforcement of any Transaction Security), the Security Agent shall act in accordance with Clause 11.2 (*Manner of enforcement*); and

(b) in any other case:

(i) the Security Agent shall act on the instructions of the Majority Senior Creditors; or

(ii) in the absence of any such instructions, the Security Agent may act (or refrain from taking action) as the Security Agent sees fit.

14. NON-CASH RECOVERIES

14.1 Security Agent and Non-Cash Recoveries

To the extent the Security Agent receives or recovers any Non-Cash Recoveries, it may (acting on the instructions of the Majority Senior Creditors (or, in the case of any Non-Cash Recoveries relating to any Distressed Disposal of any asset that is subject to Transaction Security or enforcement of any Transaction Security, the Instructing Group in respect of such Transaction Security)) but without prejudice to its ability to exercise discretion under Clause 17.2 (*Prospective liabilities*):

(a) distribute those Non-Cash Recoveries pursuant to Clause 17 (*Application of Proceeds*) as if they were Cash Proceeds;

(b) hold, manage, exploit, collect, realise and dispose of those Non-Cash Recoveries; and

(c) hold, manage, exploit, collect, realise and distribute any Cash Proceeds arising from holding, managing, exploiting, collecting, realising or disposing of any of those Non-Cash Recoveries.

14.2 Cash value of Non-Cash Recoveries

(a) The cash value of any Non-Cash Recoveries shall be determined by reference to a valuation obtained by the Security Agent from a Financial Adviser appointed by the Security Agent pursuant to Clause 13.5 (*Appointment of Financial Adviser*) taking into account any notional conversion made pursuant to Clause 17.5 (*Currency conversion*).

(b) If any Non-Cash Recoveries are distributed pursuant to Clause 17 (*Application of Proceeds*), the extent to which such distribution is treated as discharging the applicable Secured Obligations shall be determined by reference to the cash value of those Non-Cash Recoveries determined pursuant to paragraph (a) above.

14.3 Senior Agent and Non-Cash Recoveries

(a) Subject to paragraph (b) below and to Clause 14.4 (*Alternative to Non-Cash Consideration*), if, pursuant to Clause 17.1 (*Order of application*), the Senior Agent receives Non-Cash Recoveries for application towards the discharge of any Secured Obligations, the Senior Agent shall apply those Non-Cash Recoveries in accordance with the Senior Facility Finance Documents as if they were Cash Proceeds.

(b) The Senior Agent may:

(i) use any reasonably suitable method of distribution, as it may determine in its discretion, to distribute those Non-Cash Recoveries in the order of priority that would apply under the Senior Facility Finance Documents if those Non-Cash Recoveries were Cash Proceeds;

(ii) hold any Non-Cash Recoveries through another person; and

(iii) hold any amount of Non-Cash Recoveries for so long as the Senior Agent shall think fit for later application pursuant to paragraph (a) above.

14.4 **Alternative to Non-Cash Consideration**

(a) If any Non-Cash Recoveries are to be distributed pursuant to Clause 17 (*Application of Proceeds*), the Security Agent shall (prior to that distribution and taking into account the Secured Obligations then outstanding and the cash value of those Non-Cash Recoveries) notify the Senior Creditors entitled to receive those Non-Cash Recoveries pursuant to that distribution (the "**Entitled Creditors**") (in the case of any Entitled Creditor that is a Senior Facility Creditor, through the Senior Agent).

(b) If:

(i) it would be unlawful for an Entitled Creditor to receive such Non-Cash Recoveries (or it would otherwise conflict with that Entitled Creditor's constitutional documents for it to do so); and

(ii) that Entitled Creditor promptly so notifies the Security Agent and supplies such supporting evidence as the Security Agent may reasonably require (in the case of any Entitled Creditor that is a Senior Facility Creditor, through the Senior Agent),

that Entitled Creditor shall be a "**Cash Only Creditor**" and the portion of such Non-Cash Recoveries to which that Entitled Creditor is entitled shall be "**Retained Non-Cash**".

(c) To the extent that, in relation to any distribution of Non-Cash Recoveries, there is a Cash Only Creditor:

(i) the Security Agent shall not distribute any Retained Non-Cash to that Cash Only Creditor (or to the Senior Agent on behalf of that Cash Only Creditor) but shall otherwise treat such Non-Cash Recoveries in accordance with this Agreement, and such Retained Non-Cash to which such Cash Only Creditor is entitled shall be subject to paragraph (d);

(ii) if that Cash Only Creditor is a Senior Facility Creditor the Security Agent shall notify the Senior Agent of that Cash Only Creditor's identity and its status as a Cash Only Creditor; and

(iii) to the extent notified pursuant to paragraph (ii) above, the Senior Agent shall not distribute any of those Non-Cash Recoveries to that Cash Only Creditor (but shall distribute the share of such Non-Cash Recoveries to which any Senior Facility Creditor (other than any Cash Only Creditor) is entitled to such Senior Facility Creditor in accordance with the Senior Facility Finance Documents).

(d) Subject to Clause 14.5 (*Security Agent protection*), the Security Agent shall, at the cost of the Cash Only Creditor entitled to any Retained Non-Cash, hold that Retained Non-Cash and shall, acting on the instructions and at the cost of that Cash Only Creditor, manage, exploit, collect, realise and dispose of that Retained Non-Cash for cash consideration and shall distribute any Cash Proceeds of that Retained Non-Cash to that Cash Only Creditor in accordance with Clause 17 (*Application of Proceeds*), **provided that** (for the avoidance of doubt) such Cash Proceeds of that Retained Non-Cash shall only be distributed to that Cash Only Creditor (that is entitled to that Retained Non-Cash in accordance with Clause 17 (*Application of Proceeds*)) and not shared with any other Secured Party.

(e) On any such distribution of Cash Proceeds which are attributable to a disposal of any Retained Non-Cash (to which a Cash Only Creditor is entitled), the extent to which such distribution is treated as discharging the applicable Secured Obligations due to that Cash Only Creditor shall be determined by reference to:

(i) the valuation which determined the extent to which the distribution of the Non-Cash Recoveries to the other Entitled Creditors discharged the applicable Secured Obligations due to those Entitled Creditors (**provided that** the foregoing reference to the Non-Cash Recoveries shall be a reference to the Non-Cash Recoveries of which such Retained Non-Cash formed part); and

(ii) the Retained Non-Cash to which those Cash Proceeds are attributable.

(f) Each Senior Creditor shall, following a request by the Security Agent (acting in accordance with Clause 13.6 (*Security Agent's actions*)), notify the Security Agent of the extent to which paragraph (b)(i) above would apply to it in relation to any distribution or proposed distribution of Non-Cash Recoveries.

14.5 **Security Agent protection**

(a) No Distressed Disposal or Liabilities Sale may be made in whole or part for Non-Cash Consideration if the Security Agent has reasonable grounds for believing that its receiving, distributing, holding, managing, exploiting, collecting, realising or disposing of that Non-Cash Consideration would have an adverse effect on it.

(b) If Non-Cash Consideration is delivered or distributed to the Security Agent pursuant to Clause 9.1 (*Turnover by the Creditors*), the Security Agent may, at any time after notifying the Creditors entitled to that Non-Cash Consideration and notwithstanding any instruction from a Creditor or group of Creditors pursuant to the terms of any Debt Document, immediately realise and dispose of that Non-Cash Consideration for cash consideration (and distribute any Cash Proceeds of that Non-Cash Consideration to the applicable Creditors in accordance with Clause 17 (*Application of Proceeds*)) if the Security Agent has reasonable grounds for believing that holding, managing, exploiting or collecting that Non-Cash Consideration would have an adverse effect on it.

(c) If the Security Agent holds any Retained Non-Cash for a Cash Only Creditor (each as defined in Clause 14.4 (*Alternative to Non-Cash Consideration*)) the Security Agent may at any time, after notifying that Cash Only Creditor and notwithstanding any instruction from a Creditor or group of Creditors pursuant to the terms of any Debt Document, immediately realise and dispose of that Retained Non-Cash for cash consideration (and distribute any Cash Proceeds of that Retained Non-Cash to that Cash Only Creditor in accordance with Clause 17 (*Application of Proceeds*) and paragraph (d) of Clause 14.4 (*Alternative to Non-Cash Consideration*)) if the Security Agent has reasonable grounds for believing that holding, managing, exploiting or collecting that Retained Non-Cash would have an adverse effect on it.

15. **[INTENTIONALLY NOT USED]**

15.1 **[Intentionally not used]**

16. **FURTHER ASSURANCE – DISPOSALS AND RELEASES**

Each of the Creditors and the Debtors will:

(a) do all things that the Security Agent requests in order to give effect to Clause 12 (*Non-Distressed Disposals*) and/or Clause 13 (*Distressed Disposals and Appropriation*) (which shall include the execution of any assignments, transfers, releases or other documents that the Security Agent may consider to be necessary to give effect to the releases or disposals contemplated by any of those Clauses); and

(b) if the Security Agent is not entitled to take any of the actions contemplated by any of those Clauses or if the Security Agent requests that any Creditor or Debtor take any such action, take that action itself in accordance with the instructions of the Security Agent,

provided that the proceeds of the applicable disposals are applied in accordance with Clause 12 (*Non-Distressed Disposals*) and/or Clause 13 (*Distressed Disposals and Appropriation*), as the case may be.

SECTION 6
PROCEEDS

17. APPLICATION OF PROCEEDS

17.1 Order of application

Subject to Clause 17.2 (*Prospective liabilities*) and Clause 17.3 (*Non-default applications*), all amounts from time to time received or recovered by the Security Agent pursuant to the terms of any Debt Document or in connection with the realisation or enforcement of all or any part of the Transaction Security (for the purposes of this Clause 17, the "**Recoveries**") shall be held by the Security Agent on trust to apply them at any time as the Security Agent (in its discretion) sees fit, to the extent permitted by applicable law (and subject to the provisions of this Clause 17 and Clause 14.4 (*Alternative to Non-Cash Consideration*)), in the following order of priority:

(a) in the case of any Recovery (except any Recovery in respect of any Facility B Transaction Security, any Transaction Security Document to the extent relating to any Facility B Transaction Security or any Senior PRC Guarantee or any realisation or enforcement thereof):

(i) in discharging any sums owing to the Security Agent, any Receiver or any Delegate;

(ii) in discharging or reimbursing all costs and expenses incurred by any Senior Creditor in connection with any realisation or enforcement of the Transaction Security (or any Transaction Security Document giving rise to such Recoveries) taken in accordance with the terms of this Agreement or any action taken at the request of the Security Agent under Clause 8.5 (*Further assurance – Insolvency Event*);

(iii) in payment or distribution to:

(A) the Senior Agent (on its own behalf and on behalf of the other Senior Facility Creditors) for application towards the discharge of the Senior Facility Liabilities (in accordance with the terms of the Senior Facility Finance Documents); and

(B) the Hedge Counterparties for application towards the discharge of the Hedging Liabilities in an aggregate amount equal to the Total Hedging Liabilities Cap (on a *pro rata* basis among the Hedging Liabilities owing to any and all of the Hedge Counterparties),

on a *pro rata* basis among paragraphs (a)(iii)(A) and (a)(iii)(B) above, **provided that** to the extent that the extension of the benefit of any Transaction Security governed by the laws of the PRC or granted by any Debtor that is incorporated or established in the PRC to any Liabilities in respect of any Incremental Facility (as defined in the Senior Facility Agreement) is subject to the obtaining or effecting of any Authorisation in the PRC, then for so long as such Authorisation has not been obtained, then, for the purposes of the application of any Recoveries from or in respect of such Transaction Security, (x) the Senior Facility Liabilities referred to in paragraph (A) shall be deemed to exclude any Liabilities in respect of such Incremental Facility and (y) such Liabilities in respect of such Incremental Facility shall be deemed for the purposes of this paragraph (a)(iii) not to be outstanding;

(iv) in payment or distribution to the Hedge Counterparties for application towards the discharge of the Hedging Liabilities (to the extent not falling within paragraph (a)(iii) on a *pro rata* basis;

(v) if none of the Debtors is under any further actual or contingent liability under any Senior Facility Finance Document or Hedging Agreement, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any Debtor; and

(vi) the balance, if any, in payment or distribution to the applicable Debtor;

(b) in the case of any Recovery in respect of any Facility B Transaction Security, any Transaction Security Document to the extent relating to any Facility B Transaction Security or any realisation or enforcement thereof:

(i) in discharging any sums owing to the Security Agent, any Receiver or any Delegate in respect of any realisation or enforcement of any Facility B Transaction Security or any Transaction Security Document to the extent relating to any Facility B Transaction Security;

(ii) in discharging or reimbursing all costs and expenses incurred by any Senior Creditor in connection with any realisation or enforcement of any Facility B Transaction Security (or any Transaction Security Document giving rise to such Recoveries) taken in accordance with the terms of this Agreement or any action (relating to any Facility B Transaction Security or Transaction Security Document relating to any Facility B Transaction Security) taken at the request of the Security Agent under Clause 8.5 (*Further assurance – Insolvency Event*);

(iii) in payment or distribution to the Senior Agent (on its own behalf and on behalf of the other Senior Facility B Creditors) for application towards the discharge of the Senior Facility B Liabilities (in accordance with the terms of the Senior Facility Finance Documents);

(iv) if none of the Debtors is under any further actual or contingent liability under any Senior Facility Finance Document with respect to Senior Facility B Liabilities, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any Debtor; and

(v) the balance, if any, in payment or distribution to the applicable Debtor.

(c) in the case of any Recovery in respect of any Senior PRC Guarantee or any realisation or enforcement thereof:

(i) in discharging any sums owing to the Security Agent, any Receiver or any Delegate in respect of any realisation or enforcement of such Senior PRC Guarantee;

(ii) in discharging or reimbursing all costs and expenses incurred by any Senior Creditor in connection with any realisation or enforcement of such Senior PRC Guarantee taken in accordance with the terms of this Agreement or any action (relating to such Senior PRC Guarantee or relating to the Debtor that has granted such Senior PRC Guarantee) taken at the request of the Security Agent under Clause 8.5 (*Further assurance – Insolvency Event*);

(iii) in payment or distribution to:

(A) the Senior Agent (on its own behalf and on behalf of the other Senior Facility Creditors) for application towards the discharge of the Senior Facility Liabilities (Excluding Facility B)) in accordance with the terms of the Senior Facility Finance Documents; and

(B) the Hedge Counterparties for application towards the discharge of the Hedging Liabilities in an aggregate amount equal to the Total Hedging Liabilities Cap (on a *pro rata* basis among the Hedging Liabilities owing to any and all of the Hedge Counterparties),

on a *pro rata* basis among paragraphs (c)(iii)(A) and (c)(iii)(B) above, **provided that** to the extent that the extension of the benefit of any Senior PRC Guarantee to any Liabilities in respect of any Incremental Facility (as defined in the Senior Facility Agreement) is subject to the obtaining or effecting of any Authorisation in the PRC, then for so long as such Authorisation has not been obtained, then, for the purposes of the application of any Recoveries from or in respect of such Senior PRC Guarantee, (x) the Senior Facility Liabilities (Excluding Facility B) referred to in paragraph (c)(iii)(A) shall be deemed to exclude any Liabilities in respect of such Incremental Facility and (y) such Liabilities in respect of such Incremental Facility shall be deemed for the purposes of this paragraph (c)(iii) not to be outstanding;

(iv) in payment or distribution to the Hedge Counterparties for application towards the discharge of the Hedging Liabilities (to the extent not falling within sub-paragraph (c)(iii)) on a *pro rata* basis;

(v) if none of the Debtors is under any further actual or contingent liability under any Senior Facility Finance Document (with respect to any Senior Facility Liabilities (Excluding Facility B)) or Hedging Agreement, in payment or distribution to any person to whom the Security Agent is obliged to pay or distribute in priority to any Debtor; and

(vi) the balance, if any, in payment or distribution to the applicable Debtor.

17.2 **Prospective liabilities**

Following a Distress Event the Security Agent may, in its discretion:

(a) hold any amount of any Recoveries (which is in the form of cash, and/or any cash which is generated by holding, managing, exploiting, collecting, realising or disposing of any Non-Cash Consideration) in any suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) as the Security Agent shall think fit (the interest, if any, accruing on any such account being credited to such account); and

(b) hold, manage, exploit, collect and realise any amount of any Recoveries which is in the form of Non-Cash Consideration,

in each case for so long as the Security Agent shall think fit for later application under Clause 17.1 (*Order of application*) in respect of:

(i) any sum to any Security Agent, any Receiver or any Delegate; and

(ii) any part of the Liabilities or Secured Obligations,

that the Security Agent reasonably considers, in each case, might become due or owing at any time in the future.

17.3 **Non-default applications**

Clause 17.1 (*Order of application*) shall not apply to any application by the Security Agent of any amount standing to the credit of any account (that is subject to Transaction Security) in accordance with the express provisions of the Transaction Security Document(s) governing such Transaction Security at all times prior to any enforcement of such Transaction Security in accordance with the terms of such Transaction Security Document(s).

17.4 **Investment of Cash Proceeds**

Prior to the application of the proceeds of the Security Property in accordance with Clause 17.1 (*Order of application*) the Security Agent may, in its discretion, hold all or part of any Cash Proceeds in one or more suspense or impersonal account(s) in the name of the Security Agent with such financial institution (including itself) and for so long as the Security Agent shall think fit (the interest, if any, accruing on any such account being credited to such account) pending the application from time to time of such proceeds and/or the monies in such account(s) in the Security Agent's discretion in accordance with the provisions of this Clause 17.

17.5 **Currency conversion**

(a) For the purpose of, or pending the discharge of, any of the Secured Obligations the Security Agent may:

(i) convert any moneys received or recovered by the Security Agent (including any Cash Proceeds) from one currency to another, at the Security Agent's Spot Rate of Exchange; and/or

(ii) (in respect of any application or proposed application of any Non-Cash Recoveries) notionally convert the valuation (in respect of such Non-Cash Recoveries) provided in any opinion or valuation from one currency to another, at the Security Agent's Spot Rate of Exchange.

(b) In respect of any receipt or recovery by the Security Agent that is applied towards the Secured Obligations, the obligations of any Debtor to pay Secured Obligations in the due currency shall only be satisfied:

(i) (in the case of any conversion of the amount so received or recovered pursuant to paragraph (a)(i)) to the extent of the amount of the due currency purchased (out of the proceeds of such receipt or recovery) by the Security Agent after deducting the costs of such conversion; and

(ii) (in the case of any Non-Cash Recoveries so received or recovered the valuation in respect of which is notionally converted pursuant to paragraph (a)(ii)) to the extent of the amount of the due currency which results from such notional conversion after deducting any costs for transfer or delivery of such Non-Cash Recoveries to any applicable Secured Party.

17.6 **Permitted Deductions**

The Security Agent shall be entitled, in its discretion, (a) to set aside by way of reserve amounts required to meet and (b) to make and pay, any deductions and withholdings (on account of Taxes or otherwise) which it is or may be required by any applicable law or regulation to make from any distribution or payment made by it under this Agreement, and to pay all Taxes which may be assessed against it in respect of any of the Charged Property, or as a consequence of performing its duties or exercising its rights, powers, authorities and/or discretions, or by virtue of its capacity as Security Agent under any of the Debt Documents or otherwise (other than in connection with its remuneration for performing its duties under this Agreement).

17.7 **Good Discharge**

(a) Any payment or distribution to be made in respect of the Secured Obligations by the Security Agent:

(i) (in the case of any payment in respect of Secured Obligations owing to any Senior Facility Creditor) may be made to the Senior Agent; or

(ii) (in the case of any payment in respect of Secured Obligations to a Hedge Counterparty) shall be made directly to such Hedge Counterparty,

and any payment made in that way shall be a good discharge, to the extent of that payment, by the Security Agent.

(b) Any payment or distribution made as described in paragraph (a) above shall be a good discharge, to the extent of that payment or distribution, by the Security Agent:

(i) in the case of a payment made in cash, to the extent of that payment; and

(ii) in the case of a distribution of Non-Cash Recoveries, as determined by Clause 14.2 (*Cash value of Non-Cash Recoveries*).

(c) The Security Agent is under no obligation to make the payments to any of the Senior Agent or Hedge Counterparties under paragraph (a) above in the same currency as that in which the applicable Liabilities or Secured Obligations (in respect of which such payments are made) are denominated.

17.8 **Calculation of Amounts**

For the purpose of calculating any person's share of any amount payable to or by it, the Security Agent shall be entitled to:

(a) notionally convert any Liabilities or Secured Obligations owed to any person into a common base currency (decided in its discretion by the Security Agent), that notional conversion to be made at the spot rate at which the Security Agent is able to purchase such notional base currency with the actual currency of such Liabilities or Secured Obligations owed to that person at the time at which that calculation is to be made; and

(b) assume that all amounts received or recovered as a result of the enforcement or realisation of the Security Property are applied in discharge of the Liabilities and/or the Secured Obligations in accordance with the terms of the Debt Documents under which those Liabilities and/or Secured Obligations have arisen.

SECTION 7
THE PARTIES

18. THE SECURITY AGENT

18.1 Security Agent as trustee

(a) The Security Agent declares that it holds the Security Property on trust for the Secured Parties on the terms contained in this Agreement (subject to paragraph (c)).

(b) Each of the Senior Creditors authorises the Security Agent to perform the duties, obligations and responsibilities and to exercise the rights, powers, authorities and discretions specifically given to the Security Agent under or in connection with the Debt Documents together with any other incidental rights, powers, authorities and discretions.

(c) To the extent that the extension of the benefit of (i) any Transaction Security governed by the laws of the PRC or granted by a Debtor incorporated or established in the PRC or (ii) any Senior PRC Guarantee to any Liabilities in respect of any Incremental Facility (as defined in the Senior Facility Agreement) is subject to the obtaining or effecting of any Authorisation in the PRC, then for so long as such Authorisation has not been obtained, (in the case of (i)) such Transaction Security shall secure the Secured Obligations (other than any Liabilities in respect of such Incremental Facility) or (in the case of (ii)) such Senior PRC Guarantee shall extend to Secured Obligations (other than any Liabilities in respect of such Incremental Facility).

18.2 Instructions

(a) The Security Agent shall:

(i) subject to paragraphs (e) and (f) below and save as otherwise provided in this Agreement, exercise, or refrain from exercising, any right, power, authority or discretion vested in it as Security Agent (in each case) in accordance with any instructions given to it by:

(A) (in the case of any right, power, authority or discretion under or in respect of any Facility B Transaction Security or any Transaction Security Document to the extent relating to any Facility B Transaction Security) the Majority Senior Facility B Creditors;

(B) (in the case of any right, power, authority or discretion under or in respect of any Senior PRC Guarantee) the Majority Senior Creditors (Excluding Facility B); or

(C) (in any other case) the Majority Senior Creditors; and

(ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with paragraph (i) above (or, if this Agreement stipulates the matter is a decision for any other Creditor or group of Creditors, in accordance with instructions given to it by that Creditor or group of Creditors).

(b) The Security Agent shall be entitled to request instructions, or clarification of any direction, from the Majority Senior Creditors (or, if this Agreement stipulates the matter is a decision for any other Creditor or group of Creditors, from that Creditor or group of Creditors) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion and the Security Agent may refrain from acting unless and until it receives such instructions or clarification.

(c) Save in the case of decisions stipulated to be a matter for any other Creditor or any other group of Creditors under this Agreement and unless a contrary intention appears in this Agreement, any instructions given to the Security Agent by the Majority Senior Creditors shall override any conflicting instructions given by any other Parties and will be binding on all Secured Parties.

(d) Any instructions, consent or votes given or to be given to the Security Agent by any Senior Facility Creditor shall be provided by the Senior Agent, and the Security Agent shall be entitled to communicate with any Senior Facility Creditor(s) through the Senior Agent and shall have no obligation to communicate with any Senior Facility Creditor other than through the Senior Agent acting on its behalf. For the purposes of determining the Majority Senior Creditors, the Majority Senior Facility B Creditors or the Majority Senior Creditors (Excluding Facility B), the Senior Agent shall (without prejudice to Clause 25.7 (*Disenfranchisement of Defaulting Lenders*) give or exercise instructions, consent or votes attributable to (x) any Senior Credit Participation, (y) Senior Facility B Credit Participation or (z) Senior Credit Participation (Excluding Facility B) held by any Senior Lender in accordance with the instructions of such Senior Lender.

(e) Paragraph (a)(i) above shall not apply:

(i) where a contrary indication appears in this Agreement;

(ii) where this Agreement requires the Security Agent to act in a specified manner or to take a specified action;

(iii) in respect of any provision which protects the Security Agent's own position in its personal capacity as opposed to its role of Security Agent for the Secured Parties including Clauses 18.5 (*No duty to account*) to 18.10 (*Exclusion of liability*), Clauses 18.13 (*Confidentiality*) to 18.20 (*Custodians and nominees*) and Clauses 18.23 (*Acceptance of title*) to 18.26 (*Disapplication of Trustee Acts*); or

(iv) in respect of the exercise of the Security Agent's discretion to exercise a right, power or authority under any of:

(A) Clause 12 (*Non-Distressed Disposals*);

(B) Clause 17.1 (*Order of application*);

(C) Clause 17.2 (*Prospective liabilities*); and

(D) Clause 17.6 (*Permitted Deductions*).

(f) If giving effect to instructions given by the Majority Senior Creditors (or any Creditors or group of Creditors or the Senior Agent) would (in the Security Agent's opinion) have an effect equivalent to a Subject Amendment, the Security Agent shall not act in accordance with those instructions unless consent to it so acting is obtained from each Party (other than the Security Agent) whose consent would have been required in respect of that Subject Amendment.

(g) In exercising any discretion to exercise a right, power or authority under the Debt Documents where either:

(i) it has not received any instructions from the requisite Creditors as to the exercise of that discretion; or

(ii) the exercise of that discretion is subject to paragraph (e)(iv) above,

the Security Agent shall do so having regard to the interests of all the Secured Parties.

(h) The Security Agent may refrain from acting in accordance with any instructions of any Creditor or group of Creditors until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Debt Documents and which may include payment in advance) for any cost, loss or liability (together with any applicable Indirect Tax) which it may incur in complying with those instructions.

(i) Without prejudice to the provisions of Clause 11 (*Enforcement of Transaction Security*) and the remainder of this Clause 18.2, in the absence of instructions from the requisite Creditors, the Security Agent may act (or refrain from acting) as it considers in its discretion to be appropriate.

18.3 **Duties of the Security Agent**

(a) The Security Agent's duties under the Debt Documents are solely mechanical and administrative in nature.

(b) The Security Agent shall promptly:

(i) forward to the Senior Agent and to each Hedge Counterparty (that is party to any Hedging Agreement) a copy of any document received by the Security Agent from any Debtor that is party to any Senior Facility Finance Document or such Hedging Agreement (as the case may be); and

(ii) forward to a Party the original or a copy of any document which is delivered to the Security Agent for that Party by any other Party.

(c) Except where a Debt Document specifically provides otherwise, the Security Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.

(d) Without prejudice to Clause 22.3 (*Notification of prescribed events*), if the Security Agent receives notice from a Party referring to any Debt Document, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the Senior Creditors.

(e) To the extent that a Party (other than the Security Agent) is required to calculate a Common Currency Amount, the Security Agent shall, upon a request by that Party, promptly notify that Party of the applicable Security Agent's Spot Rate of Exchange for the purposes of such calculation.

(f) The Security Agent shall have only those duties, obligations and responsibilities expressly specified in the Debt Documents to which it is expressed to be a party (and no others shall be implied).

18.4 **No fiduciary duties to Debtors or Subordinated Creditors**

Nothing in this Agreement constitutes the Security Agent as an agent, trustee or fiduciary of any Debtor, ParentCo, any Intra-Group Lender or any Subordinated Creditor.

18.5 **No duty to account**

The Security Agent shall not be bound to account to any other Secured Party for any sum or the profit element of any sum received by it for its own account.

18.6 **Business with the Group and/or the Debtors**

(a) The Security Agent may accept deposits from, lend money to and generally engage in any kind of banking or other business with any Group Member and/or any Debtor.

(b) Each of the Creditors hereby irrevocably waives, in favour of the Security Agent and its affiliates any conflict of interest which may arise by virtue of the Security Agent and its affiliates acting in various capacities under and/or in relation to the Debt Documents and the Transaction Documents or transactions contemplated thereby or for other customers of any of the Security Agent and its affiliates. Each of the Creditors acknowledges that each of the Security Agent and its affiliates may have interests in or perform any other role for, or may provide any financial or other services to, any Debtor, any Group Member or any other person and may possess or receive information (whether or not material to any of the Creditors) by virtue of or in connection with such interests, role or services, and agrees that none of the Security Agent or its affiliates shall have any obligation to account to any Creditor for any such interests, role or services or any obligation to disclose any such information to any Creditor. None of the Security Agent and its affiliates shall assume any duty or responsibility to any Creditor with respect to any such interests, role, services or information or any failure to disclose any of the foregoing.

(c) Without prejudice to the foregoing, each of the Creditors agrees that each of the Security Agent and its affiliates may deal (whether for its own or its customers' account) in, or advise on, securities of any person.

18.7 **Rights and discretions**

(a) The Security Agent may:

(i) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;

(ii) assume that:

(A) any instructions received by it from the Majority Senior Creditors, the Majority Senior Facility B Creditors, the Majority Senior Creditors (Excluding Facility B), any Creditor or any group of Creditors are duly given in accordance with the terms of the Debt Documents;

(B) unless it has received notice of revocation of such instructions, that such instructions have not been revoked; and

(C) if it receives any instructions to act in relation to any Transaction Security or Transaction Security Document, that all applicable conditions under the Debt Documents for so acting have been satisfied; and

(iii) rely on a certificate from any person:

(A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or

(B) to the effect that such person approves of any particular dealing, transaction, step, action or thing, as sufficient evidence that that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.

(b) The Security Agent may assume (unless it has received notice to the contrary in its capacity as security trustee for the Secured Parties) that:

(i) no Default has occurred;

(ii) any right, power, authority or discretion vested in any Party or any group of Creditors has not been exercised; and

(iii) any notice made by the Borrower is made on behalf of and with the consent and knowledge of all the Debtors.

(c) The Security Agent may engage and pay for the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts.

(d) Without prejudice to the generality of paragraph (c) above or paragraph (e) below, the Security Agent may at any time engage and pay for the services of any lawyers to act as independent counsel to the Security Agent (and so separate from any lawyers instructed by any Senior Creditor(s)) if the Security Agent in its reasonable opinion deems this to be desirable.

(e) The Security Agent may rely on the advice or services of any lawyers, accountants, tax advisers, surveyors or other professional advisers or experts (whether obtained by the Security Agent or by any other Party) and shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever arising as a result of its so relying.

(f) The Security Agent, any Receiver and any Delegate may act in relation to the Debt Documents and the Security Property through its officers, employees and agents and shall not:

(i) be liable for any error of judgment made by any such person; or

(ii) be bound to supervise, or be in any way responsible for any loss incurred by reason of misconduct, omission or default on the part of any such person,

unless such error or such loss was directly caused by the Security Agent's, such Receiver's or, as the case may be, such Delegate's own gross negligence or wilful misconduct.

(g) Unless this Agreement expressly specifies otherwise, the Security Agent may disclose to any other Party any information it reasonably believes it has received in its capacity as Security Agent under the Debt Documents.

(h) Notwithstanding any other provision of any Debt Document to the contrary, the Security Agent is not obliged to do or omit to do anything if it would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

(i) Notwithstanding any provision of any Debt Document to the contrary, the Security Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment or reimbursement of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

18.8 **Responsibility for documentation**

None of the Security Agent, any Receiver or any Delegate is responsible or liable for (and no representation or warranty is or shall be deemed to be made by any of the Security Agent, any Receiver or any Delegate with respect to):

(a) the adequacy, accuracy or completeness of any information (whether oral or written) supplied by the Security Agent, any Creditor, any Debtor or any other person in or in connection with any Debt Document or the transactions contemplated in the Debt Documents, or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Debt Document;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Debt Document, any Transaction Security, any Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Debt Document, any Transaction Security or any Security Property; or

(c) any determination as to whether any information provided or to be provided to any Secured Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

18.9 **No duty to monitor**

The Security Agent shall not be bound to enquire:

(a) whether or not any Default has occurred;

(b) as to the performance, default or any breach by any Party of its obligations under any Debt Document; or

(c) whether any other event specified in any Debt Document has occurred.

18.10 **Exclusion of liability**

(a) Without limiting paragraph (b) below (and without prejudice to any other provision of any Debt Document excluding or limiting the liability of the Security Agent, any Receiver or Delegate), none of the Security Agent, any Receiver or any Delegate will be liable for:

(i) any damages, costs or losses to any person, any diminution in value, or any liability whatsoever arising as a result of taking or not taking any action under or in connection with any Debt Document or the Security Property unless directly caused by its own gross negligence or wilful misconduct;

(ii) exercising or not exercising any right, power, authority or discretion given to it by, or in connection with, any Debt Document, any Transaction Security, any Security Property or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Debt Document, any Transaction Security or any Security Property;

(iii) any shortfall which arises on the enforcement or realisation of any Transaction Security or any Security Property; or

(iv) without prejudice to the generality of paragraphs (i) to (iii) above, any damages, costs, losses, any diminution in value or any liability whatsoever arising as a result of:

(A) any act, event or circumstance not reasonably within its control; or

(B) the general risks of investment in, or the holding of assets in, any jurisdiction,

including (in each case) such damages, costs, losses, diminution in value or liability arising as a result of: nationalisation, expropriation or other governmental actions; any regulation, currency restriction, devaluation or fluctuation; market conditions affecting the execution or settlement of transactions or the value of assets; breakdown, failure or malfunction of any third party transport, telecommunications, computer services or systems; natural disasters or acts of God; war, terrorism, insurrection or revolution; or strikes or industrial action.

(b) No Party (other than the Security Agent, that Receiver or that Delegate (as applicable)) may take any proceedings against any officer, employee or agent of the Security Agent, a Receiver or a Delegate in respect of any claim it might have against the Security Agent, a Receiver or a Delegate or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Debt Document or any Security Property and any officer, employee or agent of the Security Agent, a Receiver or a Delegate may rely on this Clause 18.10 pursuant to the Third Parties Act, subject to Clause 1.3 (*Third party rights*) and the provisions of the Third Parties Act.

(c) Nothing in this Agreement shall oblige the Security Agent to carry out:

(i) any "know your customer" or other checks in relation to any person; or

(ii) any check on the extent to which any transaction contemplated by this Agreement might be unlawful for any Senior Creditor,

on behalf of any Senior Creditor, and each Senior Creditor confirms to the Security Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to any such checks made by the Security Agent.

(d) Without prejudice to any provision of any Debt Document excluding or limiting the liability of the Security Agent, any Receiver or any Delegate, any liability of the Security Agent, any Receiver or any Delegate arising under or in connection with any Debt Document, any Transaction Security or any Security Property shall be limited to the amount of actual loss which has been finally judicially determined to have been suffered (as determined by reference to the date of default of the Security Agent, such Receiver or such Delegate (as the case may be) or, if later, the date on which such loss arises as a result of such default) but without reference to any special conditions or circumstances known to the Security Agent, such Receiver or such Delegate (as the case may be) at any time which increase the amount of such loss. In no event shall the Security Agent, any Receiver or any Delegate be liable for any loss of profits, goodwill, reputation, business opportunity or anticipated saving, or for special, punitive, indirect or consequential damages, whether or not the Security Agent, such Receiver or such Delegate (as the case may be) has been advised of the possibility of such loss or damages.

18.11 **Senior Creditors' indemnity to the Security Agent**

(a) Each Senior Creditor shall (in the proportion that the Common Currency Amount of the aggregate Liabilities due to it bears to the Common Currency Amount of the aggregate of the Liabilities due to all the Senior Creditors for the time being (or, if aggregate of the Liabilities due to the Senior Creditors is zero, immediately prior to such aggregate being reduced to zero)), indemnify each of the Security Agent and every Receiver and every Delegate, within five Business Days of demand, against any cost, loss or liability incurred by any of them (otherwise than by reason of the Security Agent's, such Receiver's or such Delegate's (as the case may be) own gross negligence or wilful misconduct (as determined in a final non-appealable judgment of a court of competent jurisdiction)) in acting as Security Agent, Receiver or Delegate under the Debt Documents (except to the extent that such Security Agent, Receiver or Delegate has been reimbursed by a Debtor pursuant to a Debt Document in respect of such cost, loss or liability).

(b) For the purposes only of paragraph (a) above, to the extent that any hedging transaction under a Hedging Agreement has not been terminated or closed-out, the Hedging Liabilities due to any Hedge Counterparty in respect of that hedging transaction will be deemed to be the amount determined pursuant to the Hedging Parameters to the amount of Hedging Liabilities due to such Hedge Counterparty for the purposes of this Clause 18.11.

(c) Subject to paragraph (d) below, the Borrower shall immediately on demand reimburse any Senior Creditor for any payment that Senior Creditor makes to the Security Agent pursuant to paragraph (a) above.

(d) Paragraph (c) above shall not apply to the extent that the indemnity payment under paragraph (a) above in respect of which the applicable Senior Creditor claims reimbursement under paragraph (c) above relates to a liability of the Security Agent to a Debtor.

18.12 **Resignation of the Security Agent**

(a) The Security Agent may resign and appoint one of its Affiliates as successor by giving notice to the Senior Creditors and the Borrower.

(b) Alternatively the Security Agent may resign by giving 30 days' notice to the Senior Creditors and the Borrower, in which case the Majority Senior Creditors may, after consultation with the Borrower, appoint a successor Security Agent.

(c) If the Majority Senior Creditors have not appointed a successor Security Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given by the retiring Security Agent, the retiring Security Agent (after consultation with the Borrower, the Senior Agent and the Hedge Counterparties) may appoint a successor Security Agent.

(d) The retiring Security Agent shall make available to the successor Security Agent such documents and records and provide such assistance as the successor Security Agent may reasonably request for the purposes of performing its functions as Security Agent under the Debt Documents. The Borrower shall, within five Business Days of demand, reimburse the retiring Security Agent for the amount of all costs and expenses (including legal fees) properly incurred by it in making available such documents and records and providing such assistance.

(e) The Security Agent's resignation notice shall only take effect upon:

(i) the appointment of a successor; and

(ii) the transfer of all the Security Property to that successor.

(f) Upon the appointment of a successor, the retiring Security Agent shall be discharged from any further obligation in respect of the Debt Documents (other than its obligations under paragraph (b) of Clause 18.24 (*Winding up of trust*) and paragraph (d) above) but shall remain entitled to the benefit of this Clause 18 and Clause 21.1 (*Indemnity to the Security Agent*) (and any Security Agent fees for the account of the retiring Security Agent shall cease to accrue from (and shall be payable on) the date of appointment of such successor Security Agent). Any successor Security Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if that successor had been an original Party.

(g) The Majority Senior Creditors may, by notice to the Security Agent, require it to resign in accordance with paragraph (b) above. In this event, the Security Agent shall resign in accordance with paragraph (b) above.

18.13 **Confidentiality**

(a) In acting as trustee for the Secured Parties, the Security Agent shall be regarded as acting through its trustee division which shall be treated as a separate entity from any other of its divisions or departments.

(b) If information is received by another division or department of the Security Agent, it may be treated as confidential to that division or department and the Security Agent shall not be deemed to have notice of it.

(c) Notwithstanding any other provision of any Debt Document to the contrary, the Security Agent is not obliged to disclose to any other person (i) any confidential information or (ii) any other information if the disclosure would, or might in its reasonable opinion, constitute a breach of any law or regulation or a breach of a fiduciary duty.

18.14 **Information from the Creditors**

Each Creditor shall supply the Security Agent (through the Senior Agent in the case of a Senior Facility Creditor) with any information that the Security Agent may reasonably specify as being necessary or desirable to enable the Security Agent to perform its functions as Security Agent.

18.15 **Credit appraisal by the Secured Parties**

Without affecting the responsibility of any Debtor for information supplied by it or on its behalf in connection with any Debt Document, each Secured Party confirms to the Security Agent that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Debt Document including but not limited to:

(a) the financial condition, status and nature of each Debtor and each Group Member;

(b) the legality, validity, effectiveness, adequacy or enforceability of any Debt Document, the Security Property and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Debt Document or the Security Property;

(c) whether that Secured Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Debt Document, the Security Property, the transactions contemplated by the Debt Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Debt Document or the Security Property;

(d) the adequacy, accuracy or completeness of any information provided by the Security Agent, any Party or by any other person under or in connection with any Debt Document, the transactions contemplated by any Debt Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Debt Document; and

(e) the right or title of any person in or to, or the value or sufficiency of any part of the Charged Property, the priority of any of the Transaction Security or the existence of any Security affecting the Charged Property,

and each Secured Party warrants to the Security Agent that it has not relied on and will not at any time rely on the Security Agent in respect of any of these matters.

18.16 **Security Agent's management time and additional remuneration**

(a) Any amount payable to the Security Agent under Clause 18.11 (*Senior Creditors' indemnity to the Security Agent*) and/or Clause 21.1 (*Indemnity to the Security Agent*) shall include the cost of utilising the Security Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Security Agent may notify to the Borrower and the Senior Creditors, and is in addition to any other fee paid or payable to the Security Agent.

(b) Without prejudice to paragraph (a) above, in the event of:

(i) a Default; or

(ii) the Security Agent being requested by a Debtor, the Majority Senior Creditors, the Majority Senior Facility B Creditors, the Majority Senior Creditors (Excluding Facility B), any Creditor or any group of Creditors to undertake duties which the Security Agent and the Borrower agree to be of an exceptional nature or outside the scope of the normal duties of the Security Agent under the Debt Documents; or

(iii) the Security Agent and the Borrower agreeing that it is otherwise appropriate in the circumstances,

the Borrower shall pay to the Security Agent any additional remuneration (together with any applicable Indirect Tax) that may be agreed between them or determined pursuant to paragraph (c) below.

(c) If the Security Agent and the Borrower fail to agree upon the nature of the duties or upon the additional remuneration referred to in paragraph (b) above or whether additional remuneration is appropriate in the circumstances, any such dispute shall be determined by an investment bank (acting as an expert and not as an arbitrator) selected by the Security Agent (the costs of such selection and of such investment bank being payable by the Borrower) and such determination of any such investment bank shall be final and binding upon the Parties.

18.17 **Reliance and engagement letters**

The Security Agent may obtain and rely on any certificate or report from any Debtor's auditor and may enter into any reliance letter or engagement letter relating to that certificate or report on such terms as it may consider appropriate (including, without limitation, restrictions on that auditor's liability and the extent to which that certificate or report may be relied on or disclosed).

18.18 **No responsibility to perfect Transaction Security**

The Security Agent shall not be liable for any failure to:

(a) require the deposit with it of any deed or document certifying, representing or constituting the title of any Debtor to any of the Charged Property;

(b) obtain any licence, consent or other authority for the execution, delivery, legality, validity, enforceability or admissibility in evidence of any of the Debt Documents or the Transaction Security;

(c) register, file or record or otherwise protect any of the Transaction Security (or the priority of any of the Transaction Security) under any law or regulation in any jurisdiction or to give notice to any person of the execution of any of the Debt Documents or of the Transaction Security;

(d) take, or to require any Debtor to take, any step to perfect its title to any of the Charged Property or to render the Transaction Security effective or to secure the creation of any ancillary Security under any law or regulation; or

(e) require any further assurance in relation to any of the Transaction Security Documents.

18.19 **Insurance by Security Agent**

(a) The Security Agent shall not be obliged:

(i) to insure any of the Charged Property;

(ii) to require any other person to maintain any insurance; or

(iii) to verify any obligation to arrange or maintain insurance contained in any Debt Document, and the Security Agent shall not be liable for any damages, costs or losses to any person as a result of the lack of, or inadequacy of, any such insurance.

(b) Where the Security Agent is named on any insurance policy as an insured party, it shall not be liable for any damages, costs or losses to any person as a result of its failure to notify the insurers of any material fact relating to the risk assumed by such insurers or any other information of any kind, unless the Majority Senior Creditors request it to do so in writing and the Security Agent fails to do so within fourteen days after receipt of that request.

18.20 **Custodians and nominees**

The Security Agent may appoint and pay any person to act as a custodian or nominee on any terms in relation to any assets of the trust as the Security Agent may determine, including for the purpose of depositing with a custodian this Agreement or any document relating to the trust created under this Agreement and the Security Agent shall not be responsible for any loss, liability, expense, demand, cost, claim or proceedings incurred by reason of the misconduct, omission or default on the part of any person appointed by it under this Agreement or be bound to supervise the proceedings or acts of any person.

18.21 **Delegation by the Security Agent**

(a) Each of the Security Agent, any Receiver and any Delegate may, at any time, delegate by power of attorney or otherwise to any person for any period, all or any of the rights, powers, authorities and/or discretion vested in it in its capacity as such.

(b) That delegation may be made upon any terms and conditions (including the power to sub-delegate) and subject to any restrictions that the Security Agent, that Receiver or that Delegate (as the case may be) may, in its discretion, think fit in the interests of the Secured Parties.

(c) No Security Agent, Receiver or Delegate shall be bound to supervise, or be in any way responsible for any damages, costs or losses incurred by reason of any misconduct, omission or default on the part of, any such delegate or sub-delegate, provided that the Security Agent, such Receiver or, as the case may be, such Delegate has acted in good faith in the selection of such delegate or, as the case may be, sub-delegate.

18.22 **Additional Security Agents**

(a) The Security Agent may at any time appoint (and subsequently remove) any person to act as a separate trustee or as a co-trustee jointly with it:

(i) if it considers that appointment to be in the interests of the Secured Parties;

(ii) for the purposes of conforming to any legal requirement, restriction or condition which the Security Agent deems to be relevant; or

(iii) for obtaining or enforcing any judgment in any jurisdiction,

and the Security Agent shall give prior notice to the Borrower and the Senior Creditors of that appointment.

(b) Any person so appointed pursuant to paragraph (a) shall have the rights, powers, authorities and discretions (not exceeding those given to the Security Agent under or in connection with the Debt Documents) and the duties, obligations and responsibilities that are given or imposed by the instrument of its appointment.

(c) The remuneration that the Security Agent may pay to that person, and any costs and expenses (together with any applicable Indirect Tax) incurred by that person in performing its functions pursuant to that appointment shall, for the purposes of this Agreement, be treated as costs and expenses incurred by the Security Agent.

18.23 **Acceptance of title**

The Security Agent shall be entitled to accept without enquiry, and shall not be obliged to investigate, any right and title that any of the Debtors may have to any of the Charged Property and shall not be liable for or bound to require any Debtor to remedy any defect in its right or title.

18.24 **Winding up of trust**

If the Security Agent, with the approval of the Senior Agent and each Hedge Counterparty, determines that (i) all of the Secured Obligations have been fully and finally discharged and (ii) none of the Secured Parties is under any commitment, obligation or liability (actual or contingent) to make advances or provide other financial accommodation to any Debtor pursuant to the Debt Documents, then:

(a) the trusts set out in this Agreement shall be wound up and the Security Agent shall release, without recourse or warranty, all of the Transaction Security and the rights of the Security Agent under each of the Security Documents; and

(b) any Security Agent which has resigned pursuant to Clause 18.12 (*Resignation of the Security Agent*) shall release, without recourse or warranty, all of its rights under each of the Security Documents.

18.25 **Powers supplemental to Trustee Acts**

The rights, powers, authorities and discretions given to the Security Agent under or in connection with the Debt Documents shall be supplemental to the Trustee Act 1925 and the Trustee Act 2000 and in addition to any which may be vested in the Security Agent by law or regulation or otherwise.

18.26 **Disapplication of Trustee Acts**

Section 1 of the Trustee Act 2000 shall not apply to the duties of the Security Agent in relation to the trusts constituted by this Agreement. Where there are any inconsistencies between the Trustee Act 1925 or the Trustee Act 2000 and the provisions of this Agreement, the provisions of this Agreement shall, to the extent permitted by law and regulation, prevail and, in the case of any inconsistency with the Trustee Act 2000, the provisions of this Agreement shall constitute a restriction or exclusion for the purposes of that Act.

18.27 **Intra-Group Lenders and Debtors: Power of Attorney**

Each of the Subordinated Creditors, ParentCo, the Intra-Group Lenders and the Debtors by way of security for its obligations under this Agreement irrevocably appoints the Security Agent to be its attorney to do anything which that Subordinated Creditor, ParentCo, that Intra-Group Lender or that Debtor has authorised the Security Agent or any other Party to do under this Agreement or is itself required to do under this Agreement but has failed to do (and the Security Agent may delegate that power on such terms as it sees fit).

18.28 **Taiwanese Transaction Security**

In connection with any Transaction Security being granted, or being expressed to be granted, over assets in Taiwan from time to time (the "**Taiwanese Transaction Security**"), the Parties hereby agree that each of the Secured Parties shall be deemed a creditor jointly and severally with each other with respect to their rights and claims hereunder and the other Debt Documents against the Debtors pursuant to Article 283 of the R.O.C. Civil Code and shall be entitled to pursue all such claims against the Debtors and that the security interests with respect to the Taiwanese Transaction Security shall be created in favour of the Security Agent in its capacity as a joint and several creditor and for the joint and several benefit of the Secured Parties; **provided**, however, that, each Secured Party agrees not to claim or enforce such rights (insofar as they relate to the Taiwanese Transaction Security) unilaterally but shall appoint the Security Agent to exercise and enforce the Secured Parties' rights arising out of the Debt Documents (insofar as they relate to the Taiwanese Transaction Security) and share among themselves any risks and benefits in relation thereto as provided under this Agreement and the Senior Facility Agreement and none of the Secured Parties shall take any action (insofar as it relates to the Taiwanese Transaction Security) requiring authorisation of the Majority Senior Creditors (or authorisation of any group of Senior Creditors) except in accordance with such authorisation.

19. **CHANGES TO THE PARTIES**

19.1 **Assignments and transfers**

No Party may:

(a) assign any of its rights; or

(b) transfer any of its rights and obligations,

in respect of any Debt Documents or the Liabilities except as permitted by this Clause 19.1.

19.2 **Change to Subordinated Creditors**

Subject to Clause 7.3 (*No acquisition of Subordinated Liabilities*) and the terms of the other Debt Documents, no Subordinated Creditor may:

(a) assign any of its rights; or

(b) transfer any of its rights and obligations,

in respect of the Subordinated Liabilities (or any part thereof) owed to it until after the Senior Discharge Date other than (i) as envisaged by Clause 7.3 (*No acquisition of Subordinated Liabilities*) or (ii) any assignment or transfer or Security constituted by any Transaction Security.

19.3 **No change of ParentCo**

ParentCo may not:

(a) assign any of its rights; or

(b) transfer any of its rights and obligations,

in respect of the ParentCo Liabilities (or any part thereof) owed to it until after the Senior Discharge Date other than (i) as envisaged by Clause 6.3 (*No acquisition of ParentCo Liabilities*) or (ii) any assignment or transfer or Security constituted by any Transaction Security.

19.4 **No change of the Borrower**

The Borrower may not:

(a) assign any of its rights; or

(b) transfer any of its rights and obligations,

under this Agreement.

19.5 **Change of Senior Lender**

(a) A Senior Lender may:

(i) assign any of its rights; or

(ii) transfer by novation any of its rights and obligations, in respect of any Senior Facility Finance Documents or any of the Senior Facility Liabilities if:

(A) that assignment or transfer is in accordance with the terms of the Senior Facility Agreement; and

(B) each assignee or transferee in respect of that assignment or transfer (if not already party to this Agreement as a Senior Lender) has become (or simultaneously with that assignment or transfer becomes) party to this Agreement, as a "Senior Lender", pursuant to Clause 19.10 (*Creditor Accession Undertaking*).

(b) No person may become a lender or creditor in respect of any Senior Facility (or any part thereof) or a Lender (as defined in the Senior Facility Agreement) unless it is party to this Agreement or shall have become (or simultaneously becomes) party to this Agreement as a "Senior Lender" pursuant to Clause 19.10 (Creditor Accession Undertaking) and is or simultaneously becomes a Lender (as defined in the Senior Facility Agreement).

(c) It is acknowledged and agreed that each of the persons set out in Schedule 1 (*Senior Lenders*) is party hereto as a Senior Lender (with a Senior Credit Participation which is greater than zero) as at the Amendment Effective Date.

19.6 **Change of Hedge Counterparty**

(a) A Hedge Counterparty may (in accordance with the terms of any Hedging Agreement to which it is a party and subject to any consent required under that Hedging Agreement) assign or transfer any of its rights or obligations in respect of that Hedging Agreement if each assignee or transferee in respect of that assignment or transfer (if not already party to this Agreement as a Hedge Counterparty and party to the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement)) becomes (or simultaneously with that assignment or transfer becomes) party to:

(i) this Agreement as a "Hedge Counterparty" pursuant to Clause 19.10 (*Creditor Accession Undertaking*); and

(ii) the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement).

(b) No person may become a "Hedge Counterparty" (as defined in the Senior Facility Agreement) or enter into or be party to any hedging transaction (as counterparty to any Debtor thereunder) pursuant to any Hedging Agreement unless it shall have become (or simultaneously becomes) party to this Agreement as a "Hedge Counterparty" pursuant to Clause 19.10 (Creditor Accession Undertaking).

(c) It is acknowledged and agreed that no person was or has become party to this Agreement as a "Hedge Counterparty" on or prior to the Amendment Effective Date.

19.7 **Change of Senior Agent**

No person shall become a Senior Agent (or the agent acting on behalf of the Senior Facility Creditors in connection with a Senior Facility Finance Document) unless at the same time, it becomes party to this Agreement as "Senior Agent" pursuant to Clause 19.10 (*Creditor Accession Undertaking*).

19.8 **Change of Intra-Group Lender**

Subject to Clause 5.4 (*Acquisition of Intra-Group Liabilities*) and to the terms of the other Debt Documents, any Intra-Group Lender may:

(a) assign any of its rights; or

(b) transfer any of its rights and obligations,

in respect of any of the Intra-Group Liabilities to another Group Member ("**Relevant Intra-Group Transferee**") if that Relevant Intra-Group Transferee (if not already party to this Agreement as an Intra-Group Lender) has become (or simultaneously with that assignment or transfer becomes) party to this Agreement as an "Intra-Group Lender", pursuant to Clause 19.10 (*Creditor Accession Undertaking*), **provided that** if such Intra-Group Lender is an Onshore Group Member and is not a Debtor and is not party to this Agreement as an Intra-Group Lender and all of such Intra-Group Liabilities are owed by an Onshore Group Member that is not a Debtor, then such Relevant Intra-Group Transferee shall not be required to become party to this Agreement as an "Intra-Group Lender" pursuant to the foregoing, but Clause 5.8 (*Relevant Intra-Group Lenders and Relevant Intra-Group Borrowers*) shall apply accordingly.

19.9 **New Intra-Group Lender and Subordinated Creditor**

(a) If any Group Member makes (or, in the case of any person that becomes a Group Member after the date of this Agreement, has, as at the time when such person becomes a Group Member, made) available any loan or Financial Indebtedness to or grants (or, in the case of any person that becomes a Group Member after the date of this Agreement, has, as at the time when such person becomes a Group Member, granted) any credit to or makes (or, in the case of any person that becomes a Group Member after the date of this Agreement, has, as at the time when such person becomes a Group Member, made) any other financial arrangement having similar effect with any Debtor or any Group Member (such person making (or that has made) available that loan or Financial Indebtedness, granting (or that has granted) that credit or making (or that has made) that other financial arrangement being a "**Relevant Intra-Group Lender**" and such Debtor or Group Member receiving (or that has received) that loan or Financial Indebtedness, that credit or the benefit of that other financial arrangement being a "**Relevant Intra-Group Borrower**"), the Borrower shall procure that such Relevant Intra-Group Lender (if not already party to this Agreement as an Intra-Group Lender) becomes party to this Agreement as an "Intra-Group Lender" pursuant to Clause 19.10 (*Creditor Accession Undertaking*), prior to or immediately upon the making available of that loan or Financial Indebtedness, the granting of that credit or the making of that other financial arrangement (or, in the case of any person that becomes a Group Member after the date of this Agreement, prior to or immediately upon such person's becoming a Group Member), **provided that** for so long as neither such Relevant Intra-Group Lender nor such Relevant Intra-Group Borrower is a Debtor and each of such Relevant Intra-Group Lender and such Relevant Intra-Group Borrower is an Onshore Group Member, such Relevant Intra-Group Lender shall not be required to become party hereto as an "Intra-Group Lender" but Clause 5.8 (*Relevant Intra-Group Lenders and Relevant Intra-Group Borrowers*) shall apply accordingly.

(b) If any person (other than a Group Member) makes available any loan or Financial Indebtedness to or grants any credit to or makes any other financial arrangement having similar effect with ParentCo (other than any loan, Financial Indebtedness, credit or financial arrangement constituting Secured Obligations (or any part thereof)), each of ParentCo and the Borrower shall procure that such person (if not already party to this Agreement as a Subordinated Creditor) has become (or simultaneously with the making available of that loan or Financial Indebtedness, the granting of that credit or the making of that other financial arrangement becomes) party to this Agreement as a "Subordinated Creditor", pursuant to Clause 19.10 (*Creditor Accession Undertaking*).

19.10 **Creditor Accession Undertaking**

With effect from the later of (i) the date of acceptance (1) by the Security Agent and (2) (in the case of any Creditor Accession Undertaking pursuant to which any person is to become party to the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement)) by the Senior Agent of a Creditor Accession Undertaking duly executed and delivered to the Security Agent by the applicable person that is to become party to this Agreement (the "**Acceding Party**") as a "Senior Lender", the "Senior Agent", a " Hedge Counterparty", a "Subordinated Creditor" or an "Intra-Group Lender" (as the case may be) in each case as contemplated under Clauses 19.5 (*Change of Senior Lender*) to 19.9 (*New Intra-Group Lender and Subordinated Creditor*) (the "**Applicable Capacity**") (such Creditor Accession Undertaking stating that such Acceding Party is to become party to this Agreement in such Applicable Capacity) and (ii) the date specified in that Creditor Accession Undertaking:

(a) any Party ceasing entirely to be a Creditor shall be discharged from further obligations (in its capacity as such) towards the Security Agent and other Parties under this Agreement and their respective rights against one another shall be cancelled (except in each case for those rights which arose prior to that date);

(b) as from that date, such Acceding Party shall assume the same obligations and become entitled to the same rights, as if it had been an original Party to this Agreement in such Applicable Capacity; and

(c) as from that date, in the case where such Acceding Party is to become party hereto as a "Hedge Counterparty", such Acceding Party shall (to the extent envisaged by the Senior Facility Agreement) also become party to the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement),

provided that (in each case) no person may become party hereto as a "Hedge Counterparty" or party to the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement)) unless (A) the Hedging Parameters shall have been agreed in writing between the Borrower, the Senior Agent (acting on the instructions of all of the Lenders) and the Security Agent and (B) amendments to this Agreement required by the Senior Agent or the Security Agent to give effect to the Hedging Parameters shall have been made ((A) and (B) being the "**Hedging Accession Conditions**").

19.11 **New Debtor**

(a) If any person that is not already party to this Agreement as a "Debtor":

(i) incurs any Liabilities (or, in the case of any person that becomes a Group Member after the date of this Agreement, owes any Liabilities upon or as at the time of such person's becoming a Group Member); or

(ii) gives any Security, guarantee, indemnity or other assurance against loss in respect of any of the Liabilities (or, in the case of any person that becomes a Group Member after the date of this Agreement, has given or owes any obligations in respect of any Security, guarantee, indemnity or other assurance against loss in respect of any of the Liabilities upon or as at the time of such person's becoming a Group Member),

each of the Debtors will procure that the person incurring (or that owes) those Liabilities or giving (or that has given or owes any obligations in respect of) that Security, guarantee, indemnity or assurance becomes party to this Agreement as a "Debtor", in accordance with paragraph (b) below, prior to or immediately upon the incurrence of those Liabilities or the giving of that Security, guarantee, indemnity or assurance (or, in the case of any person that becomes a Group Member after the date of this Agreement, prior to or immediately upon such person's becoming a Group Member), **provided that** for so long as (A) such person is a Relevant Intra-Group Borrower and is (1) an Onshore Group Member or (2) a Future Target Group Member and (B) all of its Liabilities are Liabilities owing to (and all of such Security, guarantee, indemnity or other assurance against loss given by it is given in respect of in respect of Liabilities owing by it to) a Relevant Intra-Group Lender who is not required to become party to this Agreement as an "Intra-Group Lender" pursuant to paragraph (a) of Clause 19.9 (*New Intra-Group Lender and Subordinated Creditor*), then such Relevant Intra-Group Borrower shall not be required to become party to this Agreement as a "Debtor" but the provisions of Clause 5.8 (*Relevant Intra-Group Lenders and Relevant Intra-Group Borrowers*) shall apply accordingly.

(b) With effect from the date of acceptance by the Security Agent of a Debtor Accession Deed duly executed and delivered to the Security Agent by a person that is to become party hereto as a "Debtor" as referred to and contemplated in paragraph (a) or, if later, the date specified in that Debtor Accession Deed, such person shall assume the same obligations and become entitled to the same rights as if it had been an original Party as a "Debtor".

19.12 **Additional parties**

(a) Each of the Parties appoints the Security Agent to receive on its behalf each of the Debtor Accession Deeds and the Creditor Accession Undertakings delivered to the Security Agent and the Security Agent shall, as soon as reasonably practicable after receipt by it, sign and accept the same if it appears on its face to have been completed, executed and, where applicable, delivered in the form contemplated by this Agreement or, where applicable, by the Senior Facility Agreement (as contemplated by the definition of "Debtor Accession Deed" or "Creditor Accession Undertaking", as the case may be).

(b) In the case of a Creditor Accession Undertaking delivered to the Security Agent by any person that is to become party to the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement):

(i) the Security Agent shall, as soon as reasonably practicable after signing and accepting that Creditor Accession Undertaking in accordance with paragraph (a) above, deliver that Creditor Accession Undertaking to the Senior Agent; and

(ii) the Senior Agent shall, as soon as reasonably practicable after receipt by it, sign and accept that Creditor Accession Undertaking if it appears on its face to have been completed, executed and delivered in the form contemplated by this Agreement,

provided that (in each case) the Hedging Accession Conditions are satisfied.

19.13 **No assignment or transfer of ParentCo Liabilities, Intra-Group Liabilities or Subordinated Liabilities**

Other than as expressly permitted by Clauses 19.2 (*Change to Subordinated Creditors*) or 19.8 (*Change of Intra-Group Lender*):

(a) no Debtor or Group Member owing any ParentCo Liabilities, Intra-Group Liabilities or Subordinated Liabilities may (and each Debtor shall ensure that no such Debtor or Group Member shall) assign or transfer, or create or permit to subsist any Security over, any of its rights or obligations in respect of any such ParentCo Liabilities, Intra-Group Liabilities or Subordinated Liabilities, except (i) any assignment or transfer or Security constituted by any Transaction Security or (ii) with the prior consent of the Senior Agent; and

(b) no Creditor or Group Member to which any ParentCo Liabilities, Intra-Group Liabilities or Subordinated Liabilities are owed may (and each Debtor shall ensure that no such Creditor or Group Member shall) assign or transfer any of its rights or obligations in respect of any such ParentCo Liabilities, Intra-Group Liabilities or Subordinated Liabilities, except (i) any assignment or transfer or Security constituted by any Transaction Security or (ii) with the prior consent of the Senior Agent.

19.14 **Cessation of Distribution Account Holder as Debtor**

Upon the occurrence of the Senior Facility B Discharge Date:

(a) the Distribution Account Holder shall cease to be a Debtor and shall have no further rights or obligations under this Agreement as a Debtor; and

(b) any Transaction Security constituted by the Facility B Transaction Security shall, at the cost of the Borrower and the relevant Debtor, be released and cancelled subject to clause 15 (*Reinstatement*) and clause 16.2 (*Avoidance of Payments*) of the Distribution Account Charge and without any representation or warranty by any of the Secured Parties.

SECTION 8
ADDITIONAL PAYMENT OBLIGATIONS

20. COSTS AND EXPENSES

20.1 Transaction expenses

The Borrower shall, within five Business Days of written demand (which demand must be accompanied by reasonable details and calculations of the amount demanded), pay to the Security Agent the amount of all costs and expenses (including legal fees, subject to any arrangements agreed between the Sponsor and the relevant legal counsel) (together with any applicable Indirect Tax) reasonably incurred by the Security Agent, any Receiver or any Delegate in connection with the negotiation, preparation, printing, execution and perfection of:

(a) this Agreement and any other documents referred to in this Agreement and the Transaction Security; and

(b) any other Debt Documents executed after the date of this Agreement.

20.2 Amendment costs

If a Debtor requests an amendment, waiver or consent, the Borrower shall, within five Business Days of written demand, pay to the Security Agent the amount of all costs and expenses (including legal fees) (together with any applicable Indirect Tax) reasonably incurred by the Security Agent, any Receiver or any Delegate in responding to, evaluating, negotiating or complying with that request.

20.3 Enforcement and preservation costs

The Borrower shall, within five Business Days of demand, pay to the Security Agent the amount of all costs and expenses (including legal fees and together with any applicable Indirect Tax) incurred by the Security Agent, any Receiver or any Delegate in connection with (a) the enforcement of or the preservation of any rights under any Debt Document and/or the Transaction Security and/or (b) any proceedings instituted by or against the Security Agent, any Receiver or any Delegate as a consequence of taking or holding any Transaction Security or enforcing any rights under any Debt Document.

20.4 Stamp taxes

The Borrower shall pay and, within five Business Days of demand, indemnify the Security Agent against any cost, loss or liability the Security Agent incurs in relation to any or all stamp duty, registration and other similar Taxes payable in respect of any Debt Document (except any such Tax payable in connection with the entry into of a Transfer Certificate (as defined in the Senior Facility Agreement)).

20.5 **Interest on demand**

If any Creditor or Debtor fails to pay any amount payable by it under this Agreement on its due date, interest shall accrue on such overdue amount (and be compounded with it) from the due date thereof up to the date of actual payment (both before and after judgment and to the extent interest at a default rate is not otherwise being paid on that sum in accordance with the Debt Documents) at the rate which is two (2) per cent. per annum over the rate at which the Security Agent was being offered, by leading banks in the London interbank market, deposits in an amount comparable to such overdue amount in the currency of such overdue amount for any period(s) that the Security Agent may from time to time select, **provided that** if any such rate is below zero, that rate will be deemed to be zero and **provided further that,** for the avoidance of doubt, with respect to any amount payable by it under any other Debt Document (whether or not such amount is also payable by it under this Agreement), if such other Debt Document provides for a higher rate of interest applicable to such amount, such higher rate of interest shall apply.

21. **OTHER INDEMNITIES**

21.1 **Indemnity to the Security Agent**

(a) Each Debtor shall jointly and severally promptly (and within five Business Days of demand) (which demand must be accompanied by reasonable details and calculations of the amount demanded) indemnify each of the Security Agent and every Receiver and Delegate against any cost, loss or liability (together with any applicable Indirect Tax) incurred by any of them as a result of:

(i) any failure by the Borrower to comply with its obligations under Clause 20 (*Costs and Expenses*);

(ii) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;

(iii) the taking, holding, protection or enforcement of any Transaction Security or rights under any Transaction Security Document;

(iv) the exercise of any of the rights, powers, discretions, authorities and remedies vested in the Security Agent, any Receiver and./or any Delegate by the Debt Documents or by law;

(v) any default by any Debtor in the performance of any of the obligations expressed to be assumed by it in any of the Debt Documents;

(vi) investigating any event which it reasonably believes is a Default;

(vii) instructing lawyers, accountants, tax advisers, surveyors, a Financial Adviser or other professional advisers or experts as permitted under this Agreement; or

(viii) acting as Security Agent, Receiver or Delegate under the Debt Documents or which otherwise relates to any of the Security Property (otherwise, in each case, than by reason of the Security Agent's, such Receiver's or such Delegate's own gross negligence or wilful misconduct).

(b) Each Debtor acknowledges and agrees that the continuation of its indemnity obligations under this Clause 21.1 will not be prejudiced by any release or disposal under Clause 13 (*Distressed Disposals and Appropriation*) taking into account the operation of Clause 13 (*Distressed Disposals and Appropriation*). For the avoidance of doubt, the provisions of this Clause 21.1 shall survive any termination or expiry of this Agreement.

(c) Each of the Security Agent and every Receiver and Delegate may, in priority to any payment to the Secured Parties, indemnify itself out of the Charged Property in respect of, and pay and retain, all sums necessary to give effect to the indemnity in this Clause 21.1 and shall have a lien on the Transaction Security and the proceeds of the enforcement of the Transaction Security or rights under the Transaction Security Documents for all moneys payable to it.

21.2 **Indemnity to Senior Creditors**

The Borrower shall, within five Business Days of demand and as principal obligor, indemnify each Senior Creditor against any cost, loss or liability (together with any applicable Indirect Tax), whether or not reasonably foreseeable, incurred by any of them in relation to or arising out of the operation of Clause 13 (*Distressed Disposals and Appropriation*).

SECTION 9
ADMINISTRATION

22. INFORMATION

22.1 Dealings with Security Agent and Senior Agent

(a) Subject to clause 33.4 (*Communication when Facility Agent is Impaired Agent*) of the Senior Facility Agreement, each Senior Facility Creditor shall deal with the Security Agent exclusively through the Senior Agent. Each of the Hedge Counterparties shall deal directly with the Security Agent and shall not deal through the Senior Agent.

(b) The Senior Agent shall not be under any obligation to act as agent or otherwise on behalf of any Hedge Counterparty except as expressly provided for in, and for the purposes of, this Agreement.

22.2 Disclosures

(a) Notwithstanding any agreement to the contrary, each of the Debtors, ParentCo, the Intra-Group Lenders and the Subordinated Creditors consents, until the Senior Discharge Date, to (i) the disclosure by any of the Senior Creditors and the Security Agent to each other (whether or not through the Senior Agent or the Security Agent) of such information concerning any or all of the Debtors, ParentCo, the Intra-Group Lenders, the Subordinated Creditors and the Group (and such other information as is received by any Senior Creditor or the Security Agent in its capacity as such) as any Senior Creditor or the Security Agent shall see fit and (ii) any disclosure of information in accordance with clause 38.2 (*Disclosure of Confidential Information*) of the Senior Facility Agreement.

(b) Each Hedge Counterparty may make disclosures of information in accordance with clause 38.2 (*Disclosure of Confidential Information*) of the Senior Facility Agreement as if any reference therein to a "Finance Party" (as defined in the Senior Facility Agreement) included a reference to a Hedge Counterparty and any reference therein to a "Finance Document" (as defined in the Senior Facility Agreement) included a reference to the Hedging Agreement(s) which that Hedge Counterparty is party to.

22.3 Notification of prescribed events

(a) If an Event of Default or a Payment Default either occurs or ceases to be continuing under or pursuant to any Senior Facility Finance Document, the Senior Agent shall, upon becoming aware of that occurrence or cessation, notify the Security Agent and the Security Agent shall, upon receiving that notification, notify each Hedge Counterparty.

(b) If an Acceleration Event occurs, the Senior Agent shall, upon becoming aware of that occurrence, notify the Security Agent and the Security Agent shall, upon receiving that notification, notify each Hedge Counterparty.

(c) If the Security Agent enforces, or takes formal steps to enforce, any of the Transaction Security it shall notify each Secured Party of that action.

(d) If any Senior Creditor exercises any right it may have to enforce, or to take formal steps to enforce, any of the Transaction Security it shall notify the Security Agent and the Security Agent shall, upon receiving that notification, notify each Secured Party of that action.

(e) If a Debtor defaults on any Payment due under a Hedging Agreement, the Hedge Counterparty which is party to that Hedging Agreement shall, upon becoming aware of that default, notify the Security Agent and the Security Agent shall, upon receiving that notification, notify the Senior Agent and each other Hedge Counterparty.

(f) If a Hedge Counterparty terminates or closes-out, in whole or in part, any hedging transaction under any Hedging Agreement it shall notify the Security Agent and the Security Agent shall, upon receiving that notification, notify the Senior Agent and each other Hedge Counterparty.

23. NOTICES

23.1 Communications in writing

Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by fax or letter.

23.2 Security Agent's communications with Senior Creditors

The Security Agent shall be entitled to carry out all dealings:

(a) with each of the Senior Facility Creditors through the Senior Agent and may give to the Senior Agent any notice or other communication required to be given by the Security Agent to such Senior Facility Creditor; and

(b) with each Hedge Counterparty directly with that Hedge Counterparty.

23.3 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with this Agreement is:

(a) in the case of ParentCo, the Borrower or any other Debtor (that is party to this Agreement as at the Amendment Effective Date), that identified with its name in the Amendment and Restatement Agreement;

(b) in the case of the Senior Agent or the Security Agent, that identified with its name in the Amendment and Restatement Agreement; and

(c) in the case of each other Party, that notified in writing to the Security Agent on or prior to the date on which it becomes a Party,

or any substitute address, fax number or department or officer which that Party may notify to the Security Agent (or the Security Agent may notify to the other Parties, if a change is made by the Security Agent) by not less than five Business Days' notice.

23.4 **Delivery**

(a) Any communication or document made or delivered by one Party to another Party under or in connection with this Agreement will only be effective:

(i) if by way of fax, when received in legible form; or

(ii) if by way of letter, when it has been left at the applicable address of such other Party or five Business Days after being deposited in the post postage prepaid in an envelope addressed to such other Party at that address,

and, if a particular department or officer is specified as part of its address details provided under Clause 23.3 (*Addresses*), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Security Agent will be effective only when actually received by the Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Security Agent's signature below (or any substitute department or officer as the Security Agent shall specify for this purpose).

(c) Any communication or document made or delivered to the Borrower in accordance with this Clause 23.4 will be deemed to have been made or delivered to each of the Debtors.

(d) Any communication or document which becomes effective in accordance with paragraphs (a) to (c) above after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

23.5 **Notification of address and fax number**

Promptly upon receipt of notification of an address and fax number or change of address or fax number pursuant to Clause 23.3 (*Addresses*) or changing its own address or fax number, the Security Agent shall notify the other Parties.

23.6 **Electronic communication**

(a) Any communication to be made between any two Parties under or in connection with this Agreement may be made by electronic mail or other electronic means, to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication and if those two Parties:

(i) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(ii) notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice.

(b) Any electronic communication made those two Parties under or in connection with this Agreement will be effective only when actually received in readable form and in the case of any electronic communication made by a Party to the Security Agent only if it is addressed in such a manner as the Security Agent shall specify for this purpose.

(c) Any electronic communication which becomes effective in accordance with paragraph (b) above after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

23.7 **English language**

(a) Any notice given under or in connection with this Agreement must be in English.

(b) All other documents provided under or in connection with this Agreement must be:

(i) in English; or

(ii) if not in English, and if so required by the Security Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

24. PRESERVATION

24.1 **Partial invalidity**

If, at any time, any provision of a Debt Document (including this Agreement) is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of that Debt Document nor the legality, validity or enforceability of that provision under the law of any other jurisdiction will in any way be affected or impaired.

24.2 **No impairment**

If, at any time after its date, any provision of a Debt Document (including this Agreement) is not binding on or enforceable in accordance with its terms against a person expressed to be a party to that Debt Document, neither the binding nature nor the enforceability of that provision or any other provision of that Debt Document will be impaired as against any other party to that Debt Document.

24.3 **Remedies and waivers**

No failure to exercise, nor any delay in exercising, on the part of any Party, any right or remedy under a Debt Document (including this Agreement) shall operate as a waiver of any such right or remedy or constitute an election to affirm any Debt Document. No election to affirm any Debt Document on the part of a Secured Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in each Debt Document are cumulative and not exclusive of any rights or remedies provided by law.

24.4 **Waiver of defences**

None of the provisions of this Agreement or any Transaction Security or rights under any Transaction Security Document will be affected by an act, omission, matter or thing which, but for this Clause 24.4, would reduce, release or prejudice any provision of this Agreement or any Transaction Security or rights under any Transaction Security Document or the subordination and/or priorities expressed to be created by this Agreement, including (whether or not known to any Party):

(a) any time, waiver or consent granted to, or composition with, any Debtor or other person;

(b) the release of any Debtor or any other person under the terms of any composition or arrangement with any creditor of any Debtor or any other person;

(c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, take up or enforce, any rights against, or security over assets of, any Debtor or any other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any Security;

(d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of any Debtor or any other person;

(e) any amendment, novation, supplement, extension (whether of maturity or otherwise) or restatement (in each case, however fundamental and of whatsoever nature, and whether or not more onerous) or replacement of a Debt Document or any other document or security;

(f) any unenforceability, illegality or invalidity of any obligation of any person under any Debt Document or any other document or security;

(g) any intermediate Payment of any of the Liabilities owing to any or all of the Senior Creditors in whole or in part; or

(h) any insolvency or similar proceedings.

24.5 **Priorities not affected**

Except as otherwise provided in this Agreement the priorities referred to in Clause 2 (*Ranking and Priority*) will:

(a) not be affected by any reduction or increase in the amount (whether of principal or otherwise) secured by the Transaction Security in respect of any or all of the Liabilities owing to any or all of the Senior Creditors or by any intermediate reduction or increase in, amendment or variation to any of the Debt Documents, or by any variation or satisfaction of, any of the Liabilities or any other circumstances;

(b) apply regardless of the order in which or dates upon which this Agreement and the other Debt Documents are executed or registered or notice of them is given to any person; and

(c) secure the Liabilities owing to the Senior Creditors in the order specified, regardless of the date upon which any of the Liabilities arise or of any fluctuations in the amount of any of the Liabilities outstanding.

25. **CONSENTS, AMENDMENTS AND OVERRIDE**

25.1 **Required consents**

(a) Subject to paragraphs (b) and (c) below and subject to Clause 25.4 (*Exceptions*), Clause 25.5 (*Excluded Senior Credit Participations*) and Clause 25.6 (*Disenfranchisement of Sponsor Affiliates*), this Agreement may be amended or waived only with the consent of the Senior Agent, the Security Agent, the Majority Senior Creditors and the Borrower.

(b) An amendment or waiver that has the effect of changing or which relates to:

(i) Clause 10 (*Redistribution*), Clause 17 (*Application of Proceeds*) or this Clause 25;

(ii) paragraphs (e)(iii), (f) and (g) of Clause 18.2 (*Instructions*);

(iii) the order of priority or subordination under this Agreement; or

(iv) any matter referred to in any of paragraphs (b)(i) to (b)(vi) of Clause 25.2 (*Amendments and Waivers: Transaction Security Documents*), shall not be made without the consent of each of:

(A) the Senior Agent;

(B) each Senior Lender (whose Senior Credit Participation is greater than zero);

(C) each Hedge Counterparty (to the extent that the amendment or waiver would adversely affect that Hedge Counterparty); and

(D) the Security Agent.

(c) This Agreement may be amended by the Senior Agent, the Security Agent and the Borrower without the consent of any other Party to cure defects, resolve ambiguities or reflect changes in each case of a minor technical or administrative nature, and any such amendments shall be binding on the Parties.

25.2 **Amendments and Waivers: Transaction Security Documents**

(a) Subject to paragraph (b) below and to Clause 25.4 (*Exceptions*) and unless the provisions of any Debt Document to which the Security Agent is a party expressly provide otherwise, the Security Agent may (with respect to any Transaction Security Document), if:

(i) authorised by:

(A) (in the case of any Transaction Security Document to the extent relating to any Facility B Transaction Security) the Majority Senior Facility B Creditors;

(B) (in the case of any Senior PRC Guarantee) the Majority Senior Creditors (Excluding Facility B); and

(C) (in any other case) the Majority Senior Creditors; and

(ii) the Borrower consents,

amend the terms of, waive any of the requirements of or grant consents under, such Transaction Security Document which shall be binding on each Party.

(b) Subject to paragraph (c) of Clause 25.4 (*Exceptions*), any amendment or waiver of, or consent under, any Transaction Security Document or this Agreement which has the effect of changing or which relates to:

(i) the nature of any Charged Property or any reduction of the scope thereof;

(ii) the nature or scope of any guarantee or indemnity under any Senior Guarantee;

(iii) the manner in which the proceeds of enforcement of any Transaction Security or any rights under any Transaction Security Document are distributed;

(iv) the release of any Transaction Security (unless such release is expressly permitted under this Agreement or the terms of any Transaction Security Document relating to such Transaction Security) or the terms of this Agreement or any Transaction Security Document governing the release of any Transaction Security;

(v) the release of any guarantee or indemnity under any Senior Guarantee (unless such release is expressly permitted under this Agreement or the terms of such Senior Guarantee) or the terms of this Agreement or any Senior Guarantee governing the release of any guarantee or indemnity under any Senior Guarantee; or

(vi) any increase in the principal amount of Secured Obligations that have the benefit of any Transaction Security,

shall not be made without the prior consent of (A) each Senior Lender (whose Senior Credit Participation is greater than zero) and (B) the Hedge Counterparties (or, (1) in the case of (i), (iii), (iv) or (vi) (in each case to the extent relating to any Facility B Transaction Security or any Transaction Security Document to the extent relating to any Facility B Transaction Security), each Senior Lender whose Senior Facility B Credit Participation is greater than zero or (2) in the case of (ii), (iii) or (v) (in each case to the extent relating to any Senior PRC Guarantee) (x) each Senior Lender (whose Senior Credit Participation (Excluding Facility B) is greater than zero) and (y) the Hedge Counterparties).

25.3 **Effectiveness**

Any amendment, waiver or consent given in accordance with this Clause 25 will be binding on all Parties and the Security Agent may effect, on behalf of any Senior Creditor, any amendment, waiver or consent permitted by this Clause 25.

25.4 **Exceptions**

(a) Subject to paragraphs (c) and (d) below, if any amendment, waiver or consent under or in respect of this Agreement or any Transaction Security Document may impose new or additional obligations on or withdraw or reduce the rights of any Party other than:

(i) (A) in the case of a Senior Lender, in a way which affects or would affect Senior Lenders generally or (B) in the case of a Hedge Counterparty, in a way which affect or would affect Hedge Counterparties generally; or

(ii) in the case of a Debtor, to the extent consented to by the Borrower under paragraph (a) of Clause 25.2 (*Amendments and Waivers: Transaction Security Documents*),

the consent of that Party is required.

(b) Subject to paragraphs (c) and (d) below, an amendment, waiver or consent under or in respect of this Agreement or any Transaction Security Document which relates to the rights or obligations of the Senior Agent, the Senior Arranger, the Security Agent (including any ability of the Security Agent to act in its discretion under this Agreement) or a Hedge Counterparty may not be effected without the consent of the Senior Agent (acting in its personal capacity), the Senior Arranger, the Security Agent or that Hedge Counterparty (as the case may be).

(c) Neither paragraph (a) nor (b) above, nor paragraph (b) of Clause 25.2 (*Amendments and Waivers: Transaction Security Documents*) shall apply:

(i) to any release of Transaction Security, claim or Liabilities or Secured Obligations; or

(ii) to any consent,

which, in each case, the Security Agent gives in accordance with Clause 12 (*Non-Distressed Disposals*) or Clause 13 (*Distressed Disposals and Appropriation*).

(d) Paragraphs (a) and (b) above shall apply to the Senior Arranger only to the extent that Liabilities are then owed to the Senior Arranger.

25.5 **Excluded Senior Credit Participations**

If in relation to:

(a) a request for a Consent in relation to any of the terms of this Agreement;

(b) a request to participate in any other vote of Senior Creditors under the terms of this Agreement;

(c) a request to approve any other action under this Agreement; or

(d) a request to provide any confirmation or notification under this Agreement, any Senior Creditor:

(i) fails to respond to that request within 20 Business Days of that request being made; or

(ii) (in the case of a Senior Creditor and any of paragraphs (a)) to (c)) above), fails to provide details of its Senior Credit Participation, Senior Facility B Credit Participation or Senior Credit Participation (Excluding Facility B) to the Security Agent within the timescale specified by the Security Agent,

(unless, in either case, the Borrower and the Security Agent agree to a longer time period in relation to any request) then:

(e) in the case of any of paragraphs (a) to (c) above, each of that Senior Creditor's Senior Credit Participation, that Senior Creditor's Senior Facility B Credit Participation and that Senior Creditor's Senior Credit Participation (Excluding Facility B) shall be deemed to be zero for the purpose of calculating the Senior Credit Participations, Senior Facility B Credit Participations or, as the case may be, Senior Credit Participations (Excluding Facility B) when ascertaining whether the consent of Senior Creditors holding any applicable percentage (including, for the avoidance of doubt, unanimity) of Senior Credit Participations, Senior Facility B Credit Participations or, as the case may be, Senior Credit Participations (Excluding Facility B) has been obtained to give that Consent, carry that vote or approve that action;

(f) in the case of any of paragraphs (a) to (c) above, that Senior Creditor's status as a Senior Creditor shall be disregarded for the purposes of ascertaining whether the agreement of any specified group of Senior Creditors has been obtained to give that Consent, carry that vote or approve that action; and

(g) in the case of paragraph (d) above, that confirmation or notification shall be deemed to have been given.

25.6 **Disenfranchisement of Sponsor Affiliates**

(a) For so long as a Sponsor Affiliate (x) holds or beneficially owns (or holds the economic benefit or effect of) any commitment or participation represented by any Senior Credit Participation, Senior Facility B Credit Participation or Senior Credit Participation (Excluding Facility B) or (y) has entered into any sub-participation agreement relating to any commitment or participation represented by any Senior Credit Participation, Senior Facility B Credit Participation or Senior Credit Participation (Excluding Facility B) or any other agreement or arrangement having a substantially similar economic effect and such agreement or arrangement has not been terminated (each of such Senior Credit Participation, Senior Facility B Credit Participation or Senior Credit Participation (Excluding Facility B) referred to in (x) and/or (y) being a "**Sponsor Debt Interest**") then notwithstanding any other provision of any Debt Document:

(i) in ascertaining:

(A) the Majority Senior Creditors, the Majority Senior Facility B Creditors or the Majority Senior Creditors (Excluding Facility B); or

(B) whether:

(1) the consent of Senior Creditors holding any applicable percentage (including, for the avoidance of doubt, unanimity) of the Senior Credit Participations, Senior Facility B Credit Participations or Senior Credit Participations (Excluding Facility B); or

(2) the agreement of any specified group of Senior Creditors

has been obtained to approve any request for a Consent or to carry any other vote or approve any action under this Agreement,

that commitment or participation represented by such Sponsor Debt Interest shall be deemed to be zero and, subject to paragraph (ii) below, that Sponsor Affiliate (and each person with whom it has entered into that sub-participation or that other agreement or arrangement (a "**Counterparty**")) shall be deemed not to be a Senior Creditor.

(ii) Paragraph (i) above shall not apply to such Counterparty to the extent that such Counterparty is a Senior Lender by virtue otherwise than by beneficially holding or owning (or holding the economic benefit or effect of) any commitment or participation represented by such Sponsor Debt Interest.

(b) If any Senior Creditor knowingly enters into any of the arrangements described in paragraph (a) above with a Sponsor Affiliate (except any Debt Purchase Transaction falling within paragraph (a) of the definition of "Debt Purchase Transaction" as defined in the Senior Facility Agreement) (a "**Notifiable Debt Purchase Transaction**"), such Senior Creditor shall (unless it, or the Senior Agent, has previously notified the Security Agent in writing of such Notifiable Debt Purchase Transaction) promptly notify (or, if the Senior Agent becomes aware of the same, the Senior Agent shall promptly notify) the Security Agent in writing of such Notifiable Debt Purchase Transaction, such notification to specify the Common Currency Amount of the aggregate principal amount of the Sponsor Debt Interest that is the subject of such Notifiable Debt Purchase Transaction, **provided that** it is acknowledged the Senior Agent shall not be deemed to have knowledge of any Notifiable Debt Purchase Transaction (unless the Senior Agent shall have been notified of such Notifiable Debt Purchase Transaction in accordance with the provisions of the applicable Senior Facility Finance Documents) or have any duty to enquire or monitor whether any Notifiable Debt Purchase Transaction has been entered into.

(c) Any Senior Creditor shall promptly notify (or, if the Senior Agent becomes aware of the same, the Senior Agent shall promptly notify) the Security Agent if a Notifiable Debt Purchase Transaction to which such Senior Creditor is a party:

(i) is terminated; or

(ii) ceases to be with a Sponsor Affiliate,

such notification to specify the Common Currency Amount of the aggregate principal amount of the Sponsor Debt Interest that is the subject of such termination or cessation, **provided that** it is acknowledged the Senior Agent shall not be deemed to have knowledge of any such termination or cessation (unless the Senior Agent shall have been notified of such termination or cessation in accordance with the provisions of the applicable Senior Facility Finance Documents) or have any duty to enquire or monitor whether any Notifiable Debt Purchase Transaction has been terminated or has ceased to be with a Sponsor Affiliate.

(d) Each Sponsor Affiliate that is a Senior Creditor agrees that:

(i) in relation to any meeting or conference call to which all the Senior Facility Creditors and/or the Hedge Counterparties are invited to attend or participate, it shall not attend or participate in the same if so requested by the Security Agent or, unless the Security Agent otherwise agrees, be entitled to receive the agenda or any minutes of the same; and

(ii) it shall not, unless the Security Agent otherwise agrees, be entitled to receive any report or other document prepared at the behest of, or on the instructions of, the Security Agent or one or more of the Senior Creditors.

25.7 **Disenfranchisement of Defaulting Lenders**

(a) For so long as a Defaulting Lender has any Available Commitment in respect of any Senior Facility:

(i) in ascertaining:

(A) the Majority Senior Creditors, Majority Senior Facility B Creditors or the Majority Senior Creditors (Excluding Facility B); or

(B) whether:

(1) the consent of the Senior Creditors holding any applicable percentage (including, for the avoidance of doubt, unanimity) of Senior Credit Participations, Senior Facility B Credit Participations or Senior Credit Participations (Excluding Facility B); or

(2) the agreement of any specified group of Senior Creditors,

has been obtained to approve any request for a Consent or to carry any other vote or approve any action under this Agreement,

then (where that Defaulting Lender has any Available Commitment in respect of any Senior Facility) that Defaulting Lender's Senior Credit Participation will for such purposes only be reduced by the amount of such Available Commitment (in respect of such Senior Facility), and to the extent that that reduction results in that Defaulting Lender's aggregate Senior Credit Participation being zero, that Defaulting Lender shall be deemed not to be a Senior Lender.

(b) For the purposes of this Clause 25.7, the Security Agent may assume that each of the following Senior Creditors is a Defaulting Lender:

(i) any Senior Lender which has notified the Security Agent that it has become a Defaulting Lender;

(ii) any Senior Lender to the extent that the Senior Agent has notified the Security Agent that that Senior Lender is a Defaulting Lender; and

(iii) any Senior Lender in relation to which the Security Agent is aware that any of the events or circumstances referred to in paragraphs (a), (b) or (c) of the definition of "Defaulting Lender" in the Senior Facility Agreement has occurred,

unless it has received notice to the contrary from that Senior Lender concerned or the Senior Agent (in each case together with any supporting evidence reasonably requested by the Security Agent), or the Security Agent is otherwise aware, that that Senior Lender has ceased to be a Defaulting Lender.

25.8 **Calculation of Senior Credit Participations**

For the purposes of determining whether the consent, instruction or vote of Creditors holding any applicable percentage (including, for the avoidance of doubt, unanimity) of the Senior Credit Participations, Senior Facility B Credit Participations or Senior Credit Participations (Excluding Facility B) has been obtained in respect of any matter under or relating to this Agreement (including for the purposes of determining the Majority Senior Creditors, Majority Senior Facility B Creditors and Majority Senior Creditors (Excluding Facility B)), the Security Agent may notionally convert the Senior Credit Participations, Senior Facility B Credit Participations or Senior Credit Participations (Excluding Facility B) into their Common Currency Amounts.

25.9 **Deemed consent**

If, at any time prior to the Senior Discharge Date, all of the Senior Creditors (or the applicable percentage of the Senior Creditors that can bind all of the Senior Creditors) or the Senior Agent (acting on the instructions of all of the Senior Creditors or the applicable percentage of Senior Creditors that can bind all of the Senior Creditors pursuant to the terms of the applicable Senior Facility Finance Documents) give a Consent in respect of any of the Senior Facility Finance Documents then, if that action was permitted by the terms of this Agreement, each of the Intra-Group Lenders, ParentCo and the Subordinated Creditors will (or will be deemed to):

(a) give a corresponding Consent in equivalent terms in relation to each of the Debt Documents to which it is a party and in relation any and all of the ParentCo Liabilities, the Intra-Group Liabilities and/or the Subordinated Liabilities owing to it; and

(b) do anything (including executing any document) that the Senior Creditors or the Senior Agent may reasonably require to give effect to this Clause 25.9.

25.10 **Excluded consents**

Clause 25.9 *(Deemed consent*) does not apply to any Consent which has the effect of:

(a) increasing or decreasing any of the Liabilities;

(b) changing the basis upon which any Permitted Payments are calculated (including the timing, currency or amount of such Permitted Payments); or

(c) changing the terms of this Agreement or of any Security Document.

25.11 **No liability**

None of the Senior Creditors will be liable to any other Creditor or Debtor for any Consent given or deemed to be given under this Clause 25.

25.12 **Agreement to override**

Unless expressly stated otherwise in this Agreement, this Agreement overrides anything in the Debt Documents to the contrary.

25.13 **Consent to Transaction Security**

Each of the Debtors, the Intra-Group Lenders and the Subordinated Creditors hereby consents to the creation of Transaction Security by each of the Debtors and the Total Transaction Obligors.

26. **BAIL-IN**

26.1 **Contractual recognition of bail-in**

Notwithstanding any other term of any Debt Document or any other agreement, arrangement or understanding between the Parties, each Party acknowledges and accepts that any liability of any Party to any other Party under or in connection with the Debt Documents may be subject to Bail-In Action by the relevant Resolution Authority and acknowledges and accepts to be bound by the effect of:

(a) any Bail-In Action in relation to any such liability, including (without limitation):

(i) a reduction, in full or in part, in the principal amount, or outstanding amount due (including any accrued but unpaid interest) in respect of any such liability;

(ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, it; and

(iii) a cancellation of any such liability; and

(b) a variation of any term of any Debt Document to the extent necessary to give effect to any Bail-In Action in relation to any such liability.

26.2 **Bail-In definitions**

In this Clause 26:

"**Bail-In Action**" means the exercise of any Write-down and Conversion Powers.

"**Bail-In Legislation**" means in relation to an EEA Member Country which has implemented, or which at any time implements, Article 55 of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, the relevant implementing law or regulation as described in the EU Bail-In Legislation Schedule from time to time.

"**EEA Member Country**" means any member state of the European Union, Iceland, Liechtenstein and Norway.

"**EU Bail-In Legislation Schedule**" means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

"**Resolution Authority**" means any body which has authority to exercise any Write-down and Conversion Powers.

"**Write-down and Conversion Powers**" means in relation to any Bail-In Legislation described in the EU Bail-In Legislation Schedule from time to time, the powers described as such in relation to that Bail-In Legislation in the EU Bail-In Legislation Schedule.

27. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, and this has the same effect as if the execution on such counterparts were on a single copy of this Agreement.

SECTION 10
GOVERNING LAW AND ENFORCEMENT

28. GOVERNING LAW

This Agreement and any non-contractual obligations arising from or in connection with this Agreement are governed by English law.

29. ENFORCEMENT

29.1 Jurisdiction

(a) The courts of England have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (including a dispute regarding the existence, validity or termination of this Agreement) (a "Dispute").

(b) The Parties agree that the courts of England are the most appropriate and convenient courts to settle Disputes and accordingly no Party will argue to the contrary.

(c) This Clause 29.1 is for the benefit of the Secured Parties only. As a result, no Secured Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Secured Parties may take concurrent proceedings in any number of jurisdictions.

29.2 Service of process

(a) Without prejudice to any other mode of service allowed under any applicable law:

(i) each of the Debtors, ParentCo and the Intra-Group Lenders (unless it is incorporated in England and Wales):

(A) irrevocably appoints Maples Fiduciary Services (UK) Limited at 200 Aldersgate Street, 11th Floor, London, EC1A 4HD, United Kingdom as its agent for service of process in relation to any proceedings before the English courts in connection with this Agreement; and

(B) agrees that failure by a process agent to notify such Debtor, ParentCo or such Intra-Group Lender of any process will not invalidate the proceedings concerned;

(ii) each of the Subordinated Creditors (unless it is incorporated in England and Wales):

(A) irrevocably appoints Maples Fiduciary Services (UK) Limited at 200 Aldersgate Street, 11th Floor, London, EC1A 4HD, United Kingdom as its agent for service of process in relation to any proceedings before the English courts in connection with this Agreement; and

(B) agrees that failure by a process agent to notify such Subordinated Creditor of any process will not invalidate the proceedings concerned.

(b) If any person appointed as an agent of any Debtor, ParentCo, any Intra-Group Lender or any Subordinated Creditor for service of process is unable for any reason to act as agent for service of process, the Borrower (in the case of an agent for service of process for such Debtor, ParentCo or such Intra-Group Lender) or such Subordinated Creditor must immediately (and in any event within five (5) Business Days of such event taking place) appoint another agent on terms acceptable to the Senior Agent at that time to accept service of process on behalf of such Debtor, ParentCo, such Intra-Group Lender or such Subordinated Creditor. Failing this, the Senior Agent at that time may appoint another agent for this purpose and such appointment shall be binding on such Debtor, ParentCo, such Intra-Group Lender or such Subordinated Creditor. The Senior Agent shall notify the Security Agent upon making any such appointment.

(c) Each of the Debtors, ParentCo, the Intra-Group Lenders and the Subordinated Creditors expressly agrees and consents to the provisions of this Clause 29 and Clause 28 (*Governing Law*).

This Agreement has been entered into by the parties hereto and executed as a deed by each of ParentCo, the Borrower, the Original Intra-Group Lender(s), the Original Debtors and the Original Subordinated Creditor(s) and is intended to be and is delivered by each of them as a deed.

SCHEDULE 1
SENIOR LENDERS

CTBC Bank Co., Ltd.

E. SUN Commercial Bank, Ltd.

Yuanta Commercial Bank Co., Ltd.

SCHEDULE 2
ORIGINAL INTRA-GROUP LENDER(S)

Nil

SCHEDULE 3
ORIGINAL DEBTORS

Name of Original Debtors	Registration number (or equivalent, if any)	Jurisdiction of incorporation
RISE Education Cayman III Ltd	279811	Cayman Islands
RISE Education Cayman I Ltd	278734	Cayman Islands
Bain Capital Rise Education (HK) Limited	1929660	Hong Kong
Rise IP (Cayman) Limited	279695	Cayman Islands
Rise (Tianjin) Education Information Consulting Co., Ltd. (瑞思 (天津) 教育資訊諮詢有限公司)	120116400010602	PRC
Beijing Step Ahead Education Technology Development Co., Ltd. (北京 領語堂教育科技發展有限 公司)	91110105670561149N	PRC
Bain Capital Rise Education IV Cayman Limited	280887	Cayman Islands

SCHEDULE 4
ORIGINAL SUBORDINATED CREDITOR(S)

RISE Education Cayman Ltd

SCHEDULE 5
FORM OF DEBTOR ACCESSION DEED

THIS AGREEMENT is made on [ ] and made between:

(1) [*Insert full name of person becoming Debtor*] (the "**Acceding Debtor**"); and

(2) [*Insert full name of current Security Agent*] as Security Agent for itself and each of the other parties to the Security Trust Agreement referred to below.

This agreement is made on [date] by the Acceding Debtor in relation to the security trust agreement dated [ ] between, among others, RISE Education Cayman III Ltd (formerly known as Bain Capital Rise Education III Cayman Limited) as parentco, RISE Education Cayman I Ltd (formerly known as Bain Capital Rise Education Cayman Limited) as borrower, CTBC Bank Co., Ltd. as security agent and CTBC Bank Co., Ltd. as senior agent (as amended and restated pursuant to an amendment and restatement agreement dated [ ] and as may be further amended and/or supplemented from time to time, the "**Security Trust Agreement**").

The Acceding Debtor intends to [incur Liabilities under the following documents] [and/or] [give a guarantee, indemnity or other assurance against loss in respect of Liabilities under the following documents]:

[*Insert details (date, parties and description*) *of relevant documents*]

(the **"Relevant Documents**").

IT IS AGREED as follows:

1. Terms and expressions defined in or construed for the purposes of the Security Trust Agreement shall, unless otherwise defined in this Agreement, bear the same meaning when used in this Agreement.

2. The Acceding Debtor and the Security Agent agree that the Security Agent shall hold:

   (a) any Security in respect of Liabilities and/or Secured Obligations created or expressed to be created pursuant to any or all of the Relevant Documents (and/or any other Debt Documents to which the Acceding Debtor is or may become party);

   (b) all proceeds of that Security; and

   (c) all obligations expressed to be undertaken by the Acceding Debtor to pay amounts in respect of any or all of the Liabilities and/or Secured Obligations to the Security Agent as trustee for the Secured Parties (whether in the Relevant Documents or otherwise) together with all representations and warranties expressed to be given by the Acceding Debtor (whether in the Relevant Documents or otherwise) in favour of the Security Agent as trustee for the Secured Parties, on trust for the Secured Parties on the terms and conditions contained in the Security Trust Agreement.

3. The Acceding Debtor confirms that it intends to be party to the Security Trust Agreement as a "Debtor" thereunder, undertakes to perform all the obligations expressed to be assumed by a Debtor under the Security Trust Agreement and agrees that it shall be bound by all the provisions of the Security Trust Agreement as if it had been an original party to the Security Trust Agreement as a "Debtor".

4. [In consideration of the Acceding Debtor being accepted as an Intra-Group Lender for the purposes of the Security Trust Agreement, the Acceding Debtor also confirms that it intends to be party to the Security Trust Agreement as an "Intra-Group Lender", and undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by an Intra-Group Lender and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement as an "Intra-Group Lender"].**

5. This Agreement may be executed in any number of counterparts, which together shall constitute the same instrument.

6. This Agreement and any non-contractual obligations arising out of or in connection with it are governed by English law.

THIS AGREEMENT has been signed on behalf of the Security Agent and executed as a deed by the Acceding Debtor and is intended to be and is delivered by the Acceding Debtor as a deed.

The Acceding Debtor

[**EXECUTED** as a **DEED**)
By: [*full name of Acceding Debtor*])

_____ Director

_____ Director/Secretary

** Include this paragraph in the relevant Debtor Accession Deed if the Acceding Debtor is also to accede as an Intra-Group Lender to the Security Trust Agreement.

OR

[**EXECUTED** as a **DEED**
By: [*full name of Acceding Debtor*]

_____ Signature of Director

_____ Name of Director

in the presence of

_____ Signature of witness

_____ Name of witness

_____ Address of witness

_____

_____

_____

_____ Occupation of witness]

Address: [ ]

Telephone: [ ]

Fax: [ ]

Attention: [ ]

The Security Agent

[*full name of current Security Agent*]

By:

Date:

SCHEDULE 6
FORM OF CREDITOR ACCESSION UNDERTAKING

To: [*Insert full name of current Security Agent*] as Security Agent for itself and each of the other parties to the Security Trust Agreement referred to below.

[To: [*Insert full name of current Senior Agent*] as Senior Agent.]*

From: [*Acceding Creditor*]

THIS UNDERTAKING is made on [*date*] by [*insert full name of person to become party to the Security Trust Agreement as a " Senior Lender", a "Senior Agent", a "Hedge Counterparty", a "Subordinated Creditor" or an "Intra-Group Lender"*] (the "**Acceding [Senior Lender/Senior Agent/Hedge Counterparty/Subordinated Creditor/Intra-Group Lender]**") in relation to the security trust agreement dated [ ] between, among others, RISE Education Cayman III Ltd (formerly known as Bain Capital Rise Education III Cayman Limited) as parentco, RISE Education Cayman I Ltd (formerly known as Bain Capital Rise Education Cayman Limited) as borrower and CTBC Bank Co., Ltd. as security agent and as senior agent (as amended and restated pursuant to an amendment and restatement agreement dated [ ] and as may be further amended and/or supplemented from time to time, the "**Security Trust Agreement**"). Terms defined in the Security Trust Agreement shall, unless otherwise defined in this Undertaking, bear the same meanings when used in this Undertaking.

In consideration of the Acceding [Senior Lender/Senior Agent/Hedge Counterparty/Subordinated Creditor/Intra-Group Lender] being accepted as [a][an] [Senior Lender/Senior Agent/Hedge Counterparty/Subordinated Creditor/Intra-Group Lender] for the purposes of the Security Trust Agreement, the Acceding [Senior Lender/Senior Agent/Hedge Counterparty/Subordinated Creditor/Intra-Group Lender] confirms that, as from [*date*], it intends to be party to the Security Trust Agreement as [a][an] "[Senior Lender/Senior Agent/Hedge Counterparty/Subordinated Creditor/Intra-Group Lender]" and undertakes to perform all the obligations expressed in the Security Trust Agreement to be assumed by [a][an] [Senior Lender/Senior Agent/Hedge Counterparty/Subordinated Creditor/Intra-Group Lender] and agrees that it shall be bound by all the provisions of the Security Trust Agreement, as if it had been an original party to the Security Trust Agreement as [a][an] "[Senior Lender/Senior Agent/Hedge Counterparty/Subordinated Creditor/Intra-Group Lender]".

[The Acceding Hedge Counterparty has become a provider of hedging arrangements to the Borrower in relation to the Term Outstandings under the Senior Facility Agreement. In consideration of the Acceding Hedge Counterparty being accepted as a "Hedge Counterparty" (as defined in the Senior Facility Agreement) for the purposes of the Senior Facility Agreement, the Acceding Hedge Counterparty confirms, for the benefit of the parties to the Senior Facility Agreement, that, as from [*date*], it intends to be party to the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement), and undertakes to perform all the obligations expressed in the Senior Facility Agreement to be assumed by a Hedge Counterparty (as defined in the Senior Facility Agreement) and agrees that it shall be bound by all the provisions of the Senior Facility Agreement, as if it had been an original party to the Senior Facility Agreement as a "Hedge Counterparty" (as defined in the Senior Facility Agreement).] **

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* Include only in the case of a Hedge Counterparty using this undertaking to accede to the Senior Facility Agreement in accordance with paragraph (c) of Clause 19.10 (*Creditor Accession Undertaking*). Delete / amend as appropriate.

This Undertaking may be executed in any number of counterparts, which together shall constitute the same instrument.

This Undertaking and any non-contractual obligations arising out of or in connection with it are governed by English law.

THIS UNDERTAKING has been entered into on the date stated above [and is executed as a deed by the Acceding [Subordinated Creditor/Intra-Group Lender] and is intended to be and is delivered by the Acceding [Subordinated Creditor/Intra-Group Lender] as a deed]***.

Acceding [Senior Lender/Senior Agent/Hedge Counterparty/Subordinated Creditor/Intra-Group Lender]***

[**EXECUTED** as a **DEED**]

[*insert full name of Acceding Creditor*]

Address:	[	]
Telephone:	[	]
Fax:	[	]
Attention:	[	]

Accepted by the Security Agent	[Accepted by the Senior Agent]
for and on behalf of [*Insert full name of current Security Agent*]	for and on behalf of [*Insert full name of current Senior Agent*]
Date:	Date:]****

** Include only in the case of a Hedge Counterparty using this undertaking to accede to the Senior Facility Agreement in accordance with paragraph (c) of Clause 19.10 (*Creditor Accession Undertaking*). Delete / amend as appropriate.

*** Insert/ amend the execution block as appropriate.

*** Insert/ amend the execution block as appropriate.

**** Include only in the case of a Hedge Counterparty using this undertaking to accede to the Senior Facility Agreement in accordance with paragraph (c) of Clause 19.10 (*Creditor Accession Undertaking*). Delete / amend as appropriate.

SIGNATURES

THE BORROWER

EXECUTED as a **DEED**

By: **RISE EDUCATION CAYMAN I LTD**
(formerly known as **BAIN CAPITAL RISE EDUCATION CAYMAN LIMITED**)

/s/ Lihong Wang — Signature of Director

Lihong Wang — Name of Director

in the presence of

/s/ Hardy Zhang — Signature of witness

Hardy Zhang — Name of witness

Unit 5101, Cheung Kong Center, Hong Kong — Address of witness

Investment professional — Occupation of witness

Address: Unit 5101, Cheung Kong Center, 2 Queen's Road, Hong Kong

Fax: +852 3656 6801

Email: HZhang@baincapital.com

Attention: Hardy Zhang

THE PARENTCO

EXECUTED as a **DEED**

By: **RISE EDUCATION CAYMAN III LTD**
(formerly known as **BAIN CAPITAL RISE EDUCATION III CAYMAN LIMITED**)

/s/ Lihong Wang — Signature of Director

Lihong Wang — Name of Director

in the presence of

/s/ Hardy Zhang — Signature of witness

Hardy Zhang — Name of witness

Unit 5101, Cheung Kong Center, Hong Kong — Address of witness

Investment professional — Occupation of witness

Address: Unit 5101, Cheung Kong Center, 2 Queen's Road, Hong Kong

Fax: +852 3656 6801

Email: HZhang@baincapital.com

Attention: Hardy Zhang

THE CAYMAN GUARANTOR

EXECUTED as a **DEED**

By: **RISE IP (CAYMAN) LIMITED**

/s/ Lihong Wang — Signature of Director

Lihong Wang — Name of Director

in the presence of

/s/ Hardy Zhang — Signature of witness

Hardy Zhang — Name of witness

Unit 5101, Cheung Kong Center, Hong Kong — Address of witness

Investment professional — Occupation of witness

Address: Unit 5101, Cheung Kong Center, 2 Queen’s Road, Hong Kong

Fax: +852 3656 6801

Email: HZhang@baincapital.com

Attention: Hardy Zhang

THE HK GUARANTOR

EXECUTED as a **DEED**

By: **BAIN CAPITAL RISE EDUCATION (HK) LIMITED**

/s/ Jia Zhu — Signature of Director

Jia Zhu — Name of Director

/s/ Lihong Wang — Signature of Director

Lihong Wang — Name of Director

in the presence of

/s/ Hardy Zhang — Signature of witness

Hardy Zhang — Name of witness

Unit 5101, Cheung Kong Center, Hong Kong — Address of witness

Investment professional — Occupation of witness

Address: Unit 5101, Cheung Kong Center, 2 Queen's Road, Hong Kong

Fax: +852 3656 6801

Email: HZhang@baincapital.com

Attention: Hardy Zhang

THE WOFE GUARANTOR

EXECUTED by

RISE (TIANJIN) EDUCATION INFORMATION CONSULTING CO., LTD. (瑞思(天津)教育信息咨询有限公司)

(Company Chop)

[Company stamp affixed]

By: /s/ Yiding Sun

Name: Yiding Sun

Title: Director

Address: Unit 5101, Cheung Kong Center, 2 Queen’s Road, Hong Kong

Fax: +852 3656 6801

Email: HZhang@baincapital.com

Attention: Hardy Zhang

THE VIE ENTITY

EXECUTED by

BEIJING STEP AHEAD EDUCATION TECHNOLOGY DEVELOPMENT CO., LTD.
(北京領語堂教育科技發展有限公司)

(Company Chop)

[Company stamp affixed]

By: /s/ Yiding Sun

Name: Yiding Sun

Director

Address: Unit 5101, Cheung Kong Center, 2 Queen's Road, Hong Kong

Fax: +852 3656 6801

Email: HZhang@baincapital.com

Attention: Hardy Zhang

THE DISTRIBUTION ACCOUNT HOLDER

EXECUTED as a **DEED**

By: **BAIN CAPITAL RISE EDUCATION IV CAYMAN LIMITED**

/s/ Lihong Wang — Signature of Director

Lihong Wang — Name of Director

in the presence of

/s/ Hardy Zhang — Signature of witness

Hardy Zhang — Name of witness

Unit 5101, Cheung Kong Center, Hong Kong — Address of witness

Investment professional — Occupation of witness

Address: Unit 5101, Cheung Kong Center, 2 Queen’s Road, Hong Kong

Fax: +852 3656 6801

Email: HZhang@baincapital.com

Attention: Hardy Zhang

THE ORIGINAL SUBORDINATED CREDITOR

EXECUTED as a **DEED**

By: **RISE EDUCATION CAYMAN LTD**
(formerly known as **BAIN CAPITAL RISE EDUCATION II CAYMAN LIMITED**)

/s/ Lihong Wang — Signature of Director

Lihong Wang — Name of Director

in the presence of

/s/ Hardy Zhang — Signature of witness

Hardy Zhang — Name of witness

Unit 5101, Cheung Kong Center, Hong Kong — Address of witness

Investment professional — Occupation of witness

Address: Unit 5101, Cheung Kong Center, 2 Queen's Road, Hong Kong

Fax: +852 3656 6801

Email: HZhang@baincapital.com

Attention: Hardy Zhang

MANDATED LEAD ARRANGER

CTBC BANK CO., LTD.

[Company stamp affixed]

By: _____
Name:
Title:

Address: 8F, No. 168, Jingmao 2nd Road, Nangang Dist., Taipei 11568, Taiwan, R.O.C.

Fax No: +886-2-2653-9856

Email: haley.chang@ctbcbank.com / jerry.hsieh@ctbcbank.com / wanhsien.lin@ctbcbank.com / ba.rc901jum@ctbcbank.com

Attention: Haley Chang / Jerry Hsieh / Vicky Lin

THE FACILITY AGENT

CTBC BANK CO., LTD.

[Company stamp affixed]

By: _____
Name:
Title:

Address: 5F, No. 168, Jingmao 2nd Road, Nangang Dist., Taipei 11568, Taiwan, R.O.C.

Fax No: +886-2-2653-9016

Email: mendy.tsui@ctbcbank.com / maggie.chou@ctbcbank.com

Attention: Mendy Tsui / Maggie Chou

THE SECURITY AGENT

CTBC BANK CO., LTD.

[Company stamp affixed]

By: _____
Name:
Title:

Address: 5F, No. 168, Jingmao 2nd Road, Nangang Dist., Taipei 11568, Taiwan, R.O.C.

Fax No: +886-2-2653-9016

Email: mendy.tsui@ctbcbank.com / maggie.chou@ctbcbank.com

Attention: Mendy Tsui / Maggie Chou

LENDER

CTBC BANK CO., LTD.

[Company stamp affixed]

By: _____
Name:
Title:

Address: 8F, No. 168, Jingmao 2nd Road, Nangang Dist., Taipei 11568, Taiwan, R.O.C.

Fax No: +886-2-2653-9856

Email: haley.chang@ctbcbank.com / jerry.hsieh@ctbcbank.com / wanhsien.lin@ctbcbank.com / ba.rc901jum@ctbcbank.com

Attention: Haley Chang / Jerry Hsieh / Vicky Lin

LENDER

E. SUN COMMERCIAL BANK, LTD.

By: /s/ Ray Chiang
Name: Ray Chiang
Title: SVP & GM

Address: 4/F, No. 117, Sec. 3, Minsheng E. Road, Taipei, 10546, Taiwan

Fax No: +886-2-2713-8713

Email: jeff-07500@esunbank.com.tw / robert-08643@esunbank.com.tw

Attention: Jeff Lin / Robert Lo

LENDER

YUANTA COMMERCIAL BANK CO., LTD.

By: /s/ Wen-Jeng Chang / Shelly Chuang

Name: Wen-Jeng Chang / Shelly Chuang
Title: Vice President / Senior Deputy Manager

Address: 3F, 66, Sec.1, Dun Hua S. Road, Taipei 105, Taiwan

Fax No: +866-2-2772-2513

Email: KirinChen@yuanta.com / MandyMTChen@yuanta.com

Attention: Kirin Chen / Mandy Chen

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the reference to our firm under the caption “Experts” and to the use of our report dated July 28, 2017, in Amendment No. 1 of the Registration Statement (Form F-1) and related Prospectus of RISE Education Cayman Ltd dated October 6, 2017.

/s/ Ernst & Young Hua Ming LLP
Beijing, the People’s Republic of China
October 6, 2017

Exhibit 99.5

September 25, 2017

RISE Education Cayman Ltd
Room 101, Jia He Guo Xin Mansion
No. 15 Baiqiao Street
Guangqumennei, Dongcheng District
Beijing 100062
People's Republic of China

Ladies and Gentlemen,

Pursuant to Rule 438 promulgated under the Securities Act of 1933, as amended, I hereby consent to the references of my name in the Registration Statement on Form F-1 (the "Registration Statement") of RISE Education Cayman Ltd (the "Company"), and any amendments thereto, which indicate that I have accepted my appointment as a director of the Company. I further agree that my appointment will become effective upon the declaration of effectiveness of the Registration Statement by the United States Securities and Exchange Commission.

Yours faithfully,

/s/ Yong CHEN

Name: Yong CHEN