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

FORM 20-F

(Mark One)

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

OR

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

For the fiscal year ended December 31, 2021.

OR

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

For the transition period from _____ to _____

OR

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

Date of event requiring this shell company report

Commission file number: 001-38235

RISE Education Cayman Ltd

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English)

Cayman Islands

(Jurisdiction of incorporation or organization)

c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman
Islands

(Address of principal executive offices)

Ms. Lihong Wang, Chief Executive Officer

c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman
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Tel: +1 345 949 8066

E-mail: lwang@rdchina.net

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
American Depositary Shares, each representing two ordinary shares, par value US\$0.01 per share	REDU	The Nasdaq Stock Market LLC

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

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

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

113,030,392 ordinary shares, par value US\$0.01 per share, as of December 31, 2021

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

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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

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

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

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

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

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

† 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.

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CONVENTIONS THAT APPLY TO THIS ANNUAL REPORT ON FORM 20-F

Unless otherwise indicated and 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 annual report only, Taiwan, Hong Kong Special Administrative Region and Macau Special Administrative Region;
- “Greater China” refers to, for the purpose of this annual report only, the People’s Republic of China and the Hong Kong Special Administrative Region;
- “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;
- “US\$,” “U.S. Dollars,” “\$” and “dollars” refer to the legal currency of the United States; and
- “we,” “us,” “our company,” “our,” the “Company” or “RISE Education” refers to RISE Education Cayman Ltd, a Cayman Islands company, and, where appropriate in the context, its subsidiaries.

Names of certain companies provided in this annual report are translated or transliterated from their original Chinese legal names.

All discrepancies in any table between the amounts identified as total amounts and the sum of the amounts listed therein are due to rounding.

This annual report on Form 20-F includes our audited consolidated balance sheets as of December 31, 2020 and 2021 and our audited consolidated statements of income/(loss), statements of comprehensive income/(loss), statements of changes in shareholders’ equity and statements of cash flows for each of the three years ended December 31, 2019, 2020 and 2021.

Our reporting currency is the Renminbi. The functional currency of the Company, its Cayman subsidiaries and Rise HK are the US\$, and the functional currency of Edge Franchising Co. Limited and Edge Online Co., Ltd are the Hong Kong Dollars (“HK\$”). Unless otherwise stated, all translations of Renminbi into U.S. Dollars have been made at the rate of RMB6.3726 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 December 30, 2021 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 annual report could have been, or could be, converted into U.S. Dollars or Renminbi, as the case may be, at any particular rate or at all.

We listed our ADSs on the NASDAQ Global Market under the symbol “REDU” on October 20, 2017. On October 24, 2017, we completed the initial public offering of 11,000,000 ADSs and the underwriters exercised their over-allotment option on the same date for the purchase of an additional 1,650,000 ADSs. On June 11, 2018, we completed the follow-on public offering of 7,000,000 ADSs by the selling shareholders of our company. On July 11, 2018, the sole underwriter exercised its over-allotment option to purchase an additional 585,000 ADSs from the selling shareholders. In 2019, we completed a share repurchase program and repurchased a total of 1,158,741 ADSs on the open market, representing 2,317,482 ordinary shares, at an average price of US\$8.66 per ADS and for an aggregate consideration of US\$10.0 million.

On December 28, 2021, we completed the sale of all of our equity interests in Rise (Tianjin) Education Information Consulting Co., Ltd. to Wuhan Xinsili Culture Development Co., Ltd. On December 30, 2021, we completed the sale of all of our equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education Cayman IV Limited, our major shareholder.

On February 8, 2022, we entered into a definitive Agreement and Plan of Merger (the “Merger Agreement”) with Dada Auto Inc. (“NaaS”), a leading operation and technology provider serving China’s electric vehicle (“EV”) charging market, pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company on the terms and conditions set forth therein in a transaction exempt from the registration requirements under the Securities Act of 1933 (the “Transaction”). Upon consummation of the Transaction, NaaS will become a wholly-owned subsidiary of the Company.

On April 29, 2022, we held an extraordinary general meeting of shareholders (the “EGM”). At the EGM, the shareholders approved, through a special resolution, the transactions contemplated in the Merger Agreement, pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company in a transaction exempt from the registration requirements under the Securities Act of 1933.

FORWARD LOOKING STATEMENTS

This annual report contains forward-looking statements that involve risks and uncertainties. All statements other than statements of current or historical facts are forward-looking statements. These forward-looking statements are made under the “safe harbor” provision under Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and as defined in the Private Securities Litigation Reform Act of 1995. These statements involve known and unknown risks, uncertainties and other factors, including those listed under “Item 3. Key Information—D. 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.

You should read this annual report and the documents that we refer to in this annual report with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this annual report 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 annual report relate only to events or information as of the date on which the statements are made in this annual report. 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.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

A. [Reserved]

B. Capitalization and Indebtedness

Not applicable.

C. Reasons for the Offer and Use of Proceeds

Not applicable.

D. Risk Factors

Risks Related to the Mergers

Failure to satisfy the conditions to the closing of the Mergers on a timely basis or at all could cause delay and additional expense or prevent the Mergers from occurring altogether.

On February 8, 2022, we entered into the Merger Agreement with NaaS. Pursuant to the Merger Agreement, subject to the terms and conditions set forth therein, shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of our Company in a transaction exempt from the registration requirements under the Securities Act of 1933. Upon consummation of the transaction, NaaS will become a wholly-owned subsidiary of our Company (the transactions contemplated by the Merger Agreement, the “Mergers”).

The Merger Agreement contains conditions to closing that must be fulfilled (or, as permitted by law and in accordance with the Merger Agreement, waived by the parties) in order to complete the Mergers. Several of these conditions, such as our maintenance of Nasdaq listing status, are partially or largely outside of the control and timing of NaaS or us and may be driven by factors unrelated to the Mergers or the parties thereto. The Merger Agreement may be terminated by either party if the closing does not occur by July 11, 2022, or if we are delisted from Nasdaq. Should satisfaction of these conditions take longer than the parties anticipate, or if any condition is not met by such date, the parties will need to mutually agree to either postpone the closing until the condition(s) are met or to waive or amend the condition. If a closing condition cannot be met on a timely basis, or the parties are unable to agree on a waiver or amendment, the closing may be delayed or the Merger Agreement may be terminated, subject to the terms and conditions contained therein. There can be no assurance that the conditions to the closing will be satisfied or waived or that the Mergers will be completed. Any delay in completing the Mergers could cause NaaS and our Company not to realize some or all of the benefits that the parties expect the Mergers to achieve. Furthermore, the parties will fail to realize any benefits of the Mergers should the closing not occur, and in such event, each party will be subject to the go-forward risks of its respective business, potential reputational and economic harm that may result from a failure to consummate the Mergers, and the economic burden of fees and expenses associated with the Merger Agreement. In addition, if the Mergers are not consummated, we could be delisted by Nasdaq by June 30, 2022.

In any event, any prolonged uncertainty as to whether the Mergers will be consummated could lead to a material and adverse effect on our business, financial condition and results of operations.

Certain of our directors, executive officers and major shareholders have interests in the Mergers that are different from, and may potentially conflict with, our interests and the interests of its unaffiliated shareholders.

Certain of our directors, executive officers and major shareholders have interests in the Mergers that may be different from, or in addition to, the interests of unaffiliated shareholders and that may create potential conflicts of interest. For example, pursuant to the terms of the Merger Agreement, our directors and executive officers may be entitled to continued indemnification and insurance coverage. In addition, our major shareholder, Bain Capital Rise Education IV Cayman Limited, which owns approximately 59.7% of our Ordinary Shares, has executed agreements to become the beneficial owner of approximately 0.9% of NaaS, and beneficially owns approximately 16.9% of Newlinks Technology Limited (“Newlink”), the controlling shareholder of NaaS.

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NaaS is not a publicly traded company and does not have a long operating history, making it difficult to determine the fair market value of NaaS or the Merger consideration.

NaaS' shares are and have been privately held and are not currently traded on any public market. In addition, NaaS began its operations in 2019 and does not have a long operating history. As a result, it is difficult to determine the fair market value of NaaS or of its shares. Any estimate of the fair market value of NaaS or any NaaS share is only an estimate and depends on multiple variables, including market activity, the impact of the Mergers, and other factors, that could positively or negatively affect such values. Any change in NaaS' financial condition or results of operations may cause significant variations in the price of its shares.

While the audit committee of our board of directors has engaged China Renaissance for its analysis and the Opinion as to the fairness of the Merger consideration from a financial point of view, which analysis requires an estimate of the value of NaaS, such analysis are estimates made on the basis of the historical financial statements and presently available information of NaaS and our Company, and are subject to numerous assumptions and factors, including about NaaS and our Company individually, and their current and future financial condition and results of operations.

The Merger consideration consists of a fixed aggregate amount of our Ordinary Shares and is not adjusted before or at the closing to account for the performance of our Company or NaaS.

The aggregate number of our Ordinary Share to be issued as Merger consideration is a fixed amount that will not be adjusted before or at the closing (other than to reflect the economic effect of share split, reverse share split, share dividend, reclassification, combination, exchange of shares, change or readjustment in change), including if the performance of our business improves or NaaS' business deteriorates in the period after the execution of the Merger Agreement and before the closing.

The Shares and the ADSs would be subject to delisting from Nasdaq if we are unable to achieve and maintain compliance with Nasdaq's continued listing standards. In addition, Nasdaq may not approve the initial listing application in connection with the transactions contemplated by the Merger Agreement.

It is a closing condition to the Mergers that (i) we shall remain continuously listed on Nasdaq, (ii) our initial listing application with Nasdaq in connection with the Mergers and transactions shall have been approved, and (iii) it shall have been reasonably expected that immediately following the closing, we will satisfy any applicable initial listing requirements of Nasdaq.

We were notified by the Listing Qualifications department (the "Staff") of Nasdaq on January 11, 2022, that the Staff had determined to delist our securities unless we timely requested a hearing before a Nasdaq Hearings Panel (the "Panel"). The Staff's determination was based upon its conclusion that we are a "public shell" as that term is defined in Nasdaq Listing Rule 5101 as the result of our sale of substantially all of our assets on December 30, 2021, as well as our failure to timely file our interim balance sheet and income statement for the period ended June 30, 2021 with the United States Securities and Exchange Commission (the "SEC"). We filed our interim balance sheet and income statement for the period ended June 30, 2021 with the SEC on January 11, 2022, and have therefore regained compliance with Nasdaq Listing Rule 5250(c)(2). We also made a request on January 18, 2022, for a hearing before the Panel, which request has stayed any further delisting action by Nasdaq at least pending the hearing and the expiration of any extension that may be granted to us by the Panel. On March 9, 2022, we received a letter from Nasdaq informing us of a favorable decision from the Panel to grant our request for continued listing on Nasdaq through June 30, 2022, subject to certain conditions, which included that on or before the same date, we shall have completed the previously announced proposed business combination with NaaS, evidenced compliance with all applicable initial listing criteria for Nasdaq as required by Listing Rule 5505, and achieve other interim milestones with respect to obtaining shareholder approval of the business combination by April 30, 2022, and completing the financial audits of both our Company and NaaS by May 31, 2022.

If we could not satisfy the conditions for continued listing imposed by the Panel, our securities would be delisted and subject to suspension. The suspension and delisting of our ADSs would lead to decreases in analyst coverage and market-making activity relating to our Shares, as well as reduced information about trading prices and volume. As a result, it could become significantly more difficult for our shareholders to sell their Shares at prices comparable to those in effect prior to delisting or at all.

Furthermore, an initial listing application in connection with the Transactions has been submitted to Nasdaq on February 15, 2022. There can be no assurance that Nasdaq will approve the listing application. If such approval is not obtained, neither NaaS nor the Company would be required to consummate the Mergers and the price of the ADSs could significantly decline. Additionally, if the approval of Nasdaq of the initial listing application is not obtained, but the parties nevertheless waive the applicable closing conditions, our shareholders would be holding Class A ordinary share of the post-closing company that do not trade on an exchange. Even if the Class A ordinary share of the post-closing company is listed on Nasdaq, its public market may not be liquid or the Company may be unable to maintain the listing on Nasdaq in the future.

Each party is subject to business uncertainties and contractual restrictions while the Mergers are pending, which could adversely affect each party's business and operations.

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In connection with the pendency of the Mergers, it is possible that some customers, suppliers and other business partners with whom our Company and/or NaaS has a business relationship may delay or defer certain business decisions or might decide to seek to terminate, change or renegotiate their relationships with us or NaaS, as the case may be, as a result of the Mergers or otherwise, which could negatively affect our or NaaS' business, regardless of whether the Mergers are completed. The pending transaction could also divert management time and resources that could otherwise have been devoted to other opportunities that may have been beneficial to NaaS or our Company.

Under the terms of the Merger Agreement, our Company and NaaS are subject to certain restrictions on the conduct of their respective businesses prior to the closing which may adversely affect their ability to execute certain of its business strategies. Such limitations could adversely affect our or NaaS' business and operations.

The Company has not obtained, and does not expect to obtain, an updated opinion from China Renaissance reflecting changes in circumstances that may have occurred since the signing of the Merger Agreement.

The fairness opinion was rendered orally to the audit committee of our Board of directors by China Renaissance in connection with, and at the time of, the audit committee's evaluation of the Mergers on February 5, 2022, and subsequently confirmed in writing as of February 7, 2022, and does not speak as of any other date. The fairness opinion was based on information made available to China Renaissance as of the date of its fairness opinion, which may have changed, or may change, after the date of such fairness opinion. The Company has not obtained an updated opinion from China Renaissance or from any other party as of the date of this annual report and does not expect to obtain an updated opinion prior to consummation of the Mergers. Changes in the operations and prospects of the Company or NaaS, general market and economic conditions and other factors which may be beyond the control of the Company and NaaS, and on which the fairness opinion was based, may have altered the prices or values of shares of the ADSs or shares of NaaS since the date of such fairness opinion, or may alter such values and prices by the time the Mergers are completed.

Risks Related to the Ownership of our ADSs

We have sold our principal operating business and currently do not conduct any business activities.

In mid-2021, the Chinese government promulgated a series of new regulations that included Guiding Opinions of the Ministry of Education on Vigorously Promoting the Scientific Connection of Kindergartens and Primary Schools promulgated by the Chinese Ministry of Education (the "MOE") on March 30, 2021, and Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education promulgated by the General Office of State Council and the General Office of Central Committee of the Communist Party of China on July 24, 2021, among others (and together, the "New Regulations"). In particular, all academic after-school tutoring institutions are required to register as non-profit organizations and may not be financed or controlled by foreign capital. On September 7, 2021, the MOE published on its official website that the MOE, together with two other government authorities, had issued a circular requiring all academic after-school tutoring institutions to register as non-profit by December 31, 2021, and all academic after-school tutoring institutions to suspend enrollment of students and the charging of fees pending such registration. Ultimately, we reached an agreement to, among other things, sell substantially all of its assets, including (i) all of the equity interests in Rise (Tianjin) Education Information Consulting Co., Ltd. to Wuhan Xinsili Culture Development Co., Ltd. on December 28, 2021; and (ii) all of the equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education IV Cayman Limited. The sale was approved at an extraordinary general meeting on December 23, 2021 and completed on December 30, 2021.

Under Rule 405 of the Securities Act of 1933, as amended, or the Securities Act, and Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act, any company with nominal operations and assets consisting of cash and nominal other assets is a shell company. We are a shell company under the federal securities laws.

We may not be able to continue as a going concern if we are unable to complete the Mergers with NaaS.

We currently do not have any business operations. On December 30, 2021, we, through our subsidiaries, sold substantially all of our assets and became a "public shell" as defined under Nasdaq Listing Rule 5101. As a shell company and prior to the completion of the Mergers, we do not expect to have revenues, but will continue to incur operating expenses. As of December 31, 2021, although we had a working capital surplus of RMB22.0 million and cash and cash equivalents of RMB16.0 million, we also incurred legal fees, audit fees and other miscellaneous fees for the services related to the preparation of our 2021 financial statements during the first half of 2022. On February 8, 2022, we and Dada Auto Inc. ("NaaS"), a leading operation and technology provider serving China's electric vehicle charging market, executed a definitive Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for our newly issued shares on the terms and conditions set forth therein in a transaction exempt from the registration requirements under the Securities Act of 1933 (the "Transaction"). Upon consummation of the Transaction, NaaS will become a wholly-owned subsidiary of us. On April 29, 2022, we held an extraordinary general meeting of shareholders (the "EGM"). At the EGM, shareholders approved, through a special resolution, the transactions contemplated in the Merger Agreement.

We and NaaS anticipate that the Transaction will be completed around mid-2022, subject to the satisfaction of closing conditions set forth in the Merger Agreement, including among other things, receipt of regulatory approvals, including necessary PRC regulatory approvals (if applicable) and the continuous listing of the Company on the Nasdaq. The Mergers with NaaS should provide sufficient funds for us to continue as a going concern. However, there is no assurance that the Mergers will be completed. If we are not successful in consummating the Mergers, there may be uncertainty whether we will be able to continue as a going concern.

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. We currently do not have any business operations in China. However, upon consummation of the Mergers, the listed company's principal business operations are located in China. 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 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.

Bain Capital Rise Education IV Cayman Limited continues to have significant influence over us in the future, including control over decisions that require the approval of shareholders, which could limit shareholders' ability to influence the outcome of matters submitted to shareholders for a vote.

We are currently controlled by Bain Capital Rise Education IV Cayman Limited, or Bain Capital. As of December 31, 2021, Bain Capital beneficially owned approximately 59.7% of the voting power of our outstanding shares. As long as Bain Capital owns or controls at least a majority of our outstanding voting power, it will have the ability to exercise substantial control over all corporate actions requiring shareholder approval, irrespective of how our other shareholders may vote, including the election and removal of directors and the size of our board of directors, any amendment of our memorandum and articles of association, or the approval of any merger or other significant corporate transaction, including a sale of substantially all of our assets. Even if its ownership falls below 50% of the voting power of our outstanding voting shares, Bain Capital will continue to be able to strongly influence or effectively control our decisions.

The post-closing company will be a "controlled company" within the meaning of the Nasdaq Stock Market Rules upon consummation of the Mergers and, as a result, may rely on exemptions from certain corporate governance requirements that provide protection to shareholders of other companies.

It is expected that, subject to certain assumptions, Newlink Technology Limited (the "Newlink"), the controlling shareholder of NaaS will have the right to vote 91.4% of the Shares upon consummation of the Mergers. As a result, the post-closing company will be a "controlled company" as defined under the Nasdaq Stock Market Rules as set forth in Listing Rule 5605(b), because Newlink will own more than 50% of the post-closing company's total voting power. For so long as the post-closing company remains a controlled company, it will be permitted to elect to rely, and may rely, on certain exemptions from corporate governance rules, including an exemption from the rule that a majority of its board of directors must be independent directors or that it has to establish a nominating committee and a compensation committee composed entirely of independent directors. As a result, you will not have the same protection afforded to shareholders of companies that are subject to these corporate governance requirements.

The post-closing company 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.

Upon consummation of the Mergers, the post-closing company 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 the post-closing company's assets during such year produce or are held for the production of passive income. Although the law in this regard is unclear, the Company has historically treated its consolidated affiliates as being owned by the Company, and intend to treat the post-closing company's consolidated affiliates following the Mergers as owned by the post-closing company, for United States federal income tax purposes because the post-closing company exercises effective control over the operation of such entities and the post-closing company is entitled to substantially all of their economic benefits. In addition, for a corporation that would otherwise be a PFIC for a taxable year, pursuant to the "change of business exception" a corporation is not treated as a PFIC for a taxable year if (1) neither the corporation nor any of its predecessors was a PFIC for any prior taxable year, (2) either substantially all of the passive income for the taxable year is attributable to proceeds from the disposition of an active trade or business or substantially all of the passive assets on each measuring date are attributable to proceeds from such a disposition and (3) the corporation reasonably does not expect to be a PFIC and is not a PFIC for either of the first two taxable years following the relevant taxable year.

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, the post-closing company cannot assure you that it will not be a PFIC for the current taxable year or any future taxable year. The determination of whether the post-closing company is or will become a PFIC will depend upon the composition of the post-closing company's income (which may differ from our historical results and current projections) and assets and the value of the post-closing company's assets from time to time, including, in particular, the value of the post-closing company's goodwill and other unbooked intangibles (which may depend upon the market value of the post-closing company's ADSs from time-to-time and may be volatile) and may also depend on the availability of the change of business exception described above. Among other matters, if the post-closing company's market capitalization declines, it may be a PFIC for the current or future taxable years. It is also possible that the Internal Revenue Service may challenge the post-closing company's classification or valuation of its goodwill and other unbooked intangibles, which may result in the post-closing company being, or becoming, a PFIC for the current taxable year or future taxable years. The determination of whether the post-closing company will be or become a PFIC may also depend, in part, on how, and how quickly, the post-closing company uses its liquid assets and cash. Under circumstances where the post-closing company retains significant amounts liquid assets, including cash, or if the post-closing company's consolidated affiliates were not treated as owned by it for United States federal income tax purposes, the post-closing company's risk of being a PFIC may substantially increase. If the post-closing company is a PFIC in any taxable year, a U.S. Holder 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 the post-closing company is a PFIC for any year during which a United States Holder holds the post-closing company's ADSs or ordinary shares, it generally will continue to be treated as a PFIC for all succeeding years during which such U.S. Holder holds the post-closing company's ADSs or ordinary shares.

If the U.S. Public Company Accounting Oversight Board, or the PCAOB, is unable to inspect our auditors as required under the Holding Foreign Companies Accountable Act, the SEC will prohibit the trading of our ADSs. A trading prohibition for our ADSs, or the threat of a trading prohibition, may materially and adversely affect the value of your investment. Additionally, the inability of the PCAOB to conduct inspections of our auditors would deprive our investors of the benefits of such inspections.

The U.S. Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted into law on December 18, 2020. Under the HFCA Act, if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years (beginning with this annual report on Form 20-F), the SEC will prohibit our securities, including our ADSs, from being traded on a U.S. national securities exchange, including NASDAQ, or in the over-the-counter trading market in the U.S. The process for implementing trading prohibitions pursuant to the HFCA Act will be based on a list of registered public accounting firms that the PCAOB has been unable to inspect and investigate completely as a result of a position taken by a non-U.S. government, or the Relevant Jurisdiction, and such identified auditors, the PCAOB Identified Firms. The first list of PCAOB Identified Firms was included in a release by the PCAOB on December 16, 2021, or the PCAOB December 2021 Release. The SEC will review annual reports filed with it for fiscal years beginning after December 18, 2020 to determine if the auditor used for such reports was so identified by the PCAOB, and such issuers will be designated as "Commission Identified Issuers" on a list to be published by the SEC. If an issuer is a Commission Identified Issuer for three consecutive years (which will be determined after the third such annual report), the SEC will issue an order that will implement the trading prohibitions described above.

If we are unable to retain a PCAOB-registered auditor subject to PCAOB inspection and investigation, a trading prohibition for our ADSs could be issued shortly after our filing of the third consecutive annual report on Form 20-F for which we have retained a PCAOB Identified Firm. Our current independent accounting firm, BDO China Shu Lun Pan Certified Public Accountants LLP, whose audit report is included in this annual report on Form 20-F, is headquartered in China, and was not included in the list of PCAOB Identified Firms in the PCAOB December Release. However, given that all PCAOB-registered firms in China were included on that list, our ability to retain an auditor subject to PCAOB inspection and investigation may depend on the relevant U.S. and PRC regulators reaching an agreement to permit these inspections and investigations. Recent developments with respect to audits of China-based companies create uncertainty about the ability of BDO China Shu Lun Pan Certified Public Accountants LLP to fully cooperate with a PCAOB request for audit working papers without the approval of the Chinese authorities. BDO China Shu Lun Pan Certified Public Accountants LLP's audit working papers related to us are located in China. The PCAOB has not requested BDO China Shu Lun Pan Certified Public Accountants LLP to provide the copies of these audit working papers and as a result, BDO China Shu Lun Pan Certified Public Accountants LLP has not sought permission from the Chinese authorities to provide copies of these materials to the PCAOB, but there is no assurance that they would be able to obtain such permission. More broadly, the PCAOB entered into a Memorandum of Understanding on Enforcement Cooperation with the CSRC and the PRC Ministry of Finance, which established a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections of the PCAOB-registered audit firms that audit Chinese companies that trade on U.S. exchanges. However, in the PCAOB December 2021 Release, the PCAOB identified problems in implementing these agreements and a lack of cooperation. Accordingly, we can offer no assurance that we will be able to retain an auditor that would allow us to avoid a trading prohibition for our securities under the HFCA Act.

In June 2021, the United States Senate passed a bill that would amend the HFCA Act to accelerate the imposition of trading prohibitions once an issuer is identified from three years to two years, and a companion bill was introduced in the U.S. House of Representatives on December 14, 2021. If this bill amending the HFCA Act is approved by both houses of Congress and signed by the President, our securities could be subject to a trading prohibition following our filing of a second consecutive annual report on Form 20-F in which our auditor for such reports is a PCAOB Identified Firm.

If our ADSs are subject to a trading prohibition under the HFCA Act, the price of our ADSs may be adversely affected, and the threat of such a trading prohibition would also adversely affect their price. If we are unable to be listed on another securities exchange that provides sufficient liquidity, such a trading prohibition may substantially impair your ability to sell or purchase our ADSs when you wish to do so. Furthermore, if we are able to maintain a listing of our ordinary shares on a non-U.S. exchange, investors owning our ADSs may have to take additional steps to engage in transactions on that exchange, including converting ADSs into ordinary shares and establishing non-U.S. brokerage accounts.

The HFCA Act also imposes additional certification and disclosure requirements for Commission Identified Issuers, and these requirements apply to issuers in the year following their listing as Commission Identified Issuers. The additional requirements include a certification that the issuer is not owned or controlled by a governmental entity in the Relevant Jurisdiction, and the additional requirements for annual reports include disclosure that the issuer's financials were audited by a firm not subject to PCAOB inspection, disclosure on governmental entities in the Relevant Jurisdiction's ownership in and controlling financial interest in the issuer, the names of Chinese Communist Party, or CCP, members on the board of the issuer or its operating entities, and whether the issuer's articles include a charter of the CCP, including the text of such charter.

In addition to the issues under the HFCA discussed above, the PCAOB's inability to conduct inspections in China and Hong Kong prevents it from fully evaluating the audits and quality control procedures of the independent registered public accounting firm. Our current independent registered public accounting firm, BDO China Shu Lun Pan Certified Public Accountants LLP, has not been inspected by the PCAOB. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of a China-based independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to the PCAOB inspections, which could cause investors and potential investors in the stock to lose confidence in the audit procedures and reported financial information and the quality of our financial statements.

We do not intend to pay dividends on our ADSs.

We do not expect to pay any cash dividends in the foreseeable future. We currently anticipate that we will retain all of our available cash for general corporate purposes. Any payment of future dividends will be at the discretion of our board of directors and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that the board of directors deems relevant. Investors must rely on sales of their ADSs after price appreciation, which may never occur, as the only way to realize a return on their investment. Investors seeking cash dividends should not purchase our ADSs.

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, or the perception that these sales could occur, could adversely affect the market price of our ADSs and could materially impair our ability to raise capital through equity offerings in the future. The ADSs sold in our initial public offering are freely tradable without restriction or further registration under the Securities Act of 1933, as amended, or the Securities Act. The remaining ordinary shares outstanding are available for sale, subject to volume and other restrictions as applicable under Rules 144 and 701 under the Securities Act. We cannot predict what effect, if any, market sales of securities held by our shareholders or the availability of these securities for future sale will have on the market price of our ADSs.

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

Our memorandum and articles of association contain certain provisions that could limit the ability of others to acquire control of our company, including a provision that grants authority to our board of directors to establish and issue from time to time one or more series of preferred shares without action by our shareholders and to determine, with respect to any series of preferred shares, the terms and rights of that series, any or all of which may be greater than the rights associated with our ordinary shares. 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. 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 and most of our directors and executive officers are residents of or located in China.

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 Act (As Revised) 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.

In addition, most of our directors and executive officers reside in China for a significant portion of the time and are PRC nationals. As a result, it may be difficult for our shareholders to effect service of process upon us and our directors and executive officers. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in these non-PRC jurisdictions in relation to any matter may be difficult or impossible.

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 or operate in the United States.

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

We are a Cayman Islands company and 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.

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;

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- 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 are 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. A Cayman Islands company is not required to have annual general meetings. Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records (other than the memorandum and articles of association and any special resolutions passed by shareholders of such companies, and the registers of mortgages and charges of such companies) 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 such as the exemption from holding an annual general meeting pursuant to Nasdaq Rule 5620(a), 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 direct how the ordinary shares represented by your ADSs are voted.

Our ADS holders do not have the same rights as our registered shareholders. 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. If we instruct the depositary to ask for your instructions, then upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying ordinary shares represented by your ADSs in accordance with your instructions. If we do not instruct the depositary to ask for your instructions, the depositary may still vote in accordance with instructions you give, but it is not required to do so. 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 and become the registered holder of such shares prior to the record date for the general meeting. Under our amended and restated memorandum and articles of association, the minimum notice period required for convening a general meeting is seven calendar days. When a general meeting is convened, you may not receive sufficient advance notice to withdraw the shares underlying your ADSs and become the registered holder of such shares to allow you to attend the general meeting and vote with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our amended and restated memorandum and articles of association, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the ordinary shares underlying your ADSs and becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. 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.

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

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

The Company will continue to be an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

Upon consummation of the Mergers, the Company is expected to qualify as an "emerging growth company" pursuant to the JOBS Act. Therefore, it may take advantage of specified reduced reporting and other requirements 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, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies. As a result, if the Company elects not to comply with such reporting and other requirements, in particular the auditor attestation requirements, the Company's 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. The Company is expected to not "opt out" of such exemptions afforded to an emerging growth company. As a result of this election, the Company's financial statements may not be comparable to companies that comply with public company effective dates.

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.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We have implemented a variety of measures to ensure that the Company follows the rules applicable to public companies in the United States. To the extent these new procedures and policies have not changed historical behaviors that might be inconsistent with the rules and practices regulating a U.S. public company, we could be at risk of violation or poor reporting as a public company. If our directors or executive officers inadvertently fail to identify, review or disclose a new relationship or arrangement causing the Company to fail to properly disclose any related party transaction or in the event that we fail to comply with SEC reporting and internal controls and procedures, we may be subject to securities laws violations that may result in additional compliance costs or costs associated with SEC judgments or fines, both of which will increase our costs and negatively affect our potential profitability and our ability to conduct our business. The public reporting requirements and controls may require us to obtain outside assistance from legal, accounting or other professionals that will increase our costs of doing business.

We identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which could result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

We have identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. We have concluded that material weaknesses arose because we did not have the proper business processes, systems, personnel, and related internal controls in place. For a description of the identified material weaknesses, see Item 15, “Controls and Procedures.” In connection with management’s identification of these material weaknesses, management has concluded that our disclosure controls and procedures were not effective as of December 31, 2021.

As further described in Item 15 “Controls and Procedures,” we have undertaken steps to improve our internal control over financial reporting. We expect that we will need to improve existing procedures and controls, and implement new ones, to remediate the material weaknesses. We may not be successful in making the improvements necessary to remediate the material weaknesses identified by management or be able to do so in a timely manner. Any inability to remediate the material weaknesses effectively or in a timely manner, or the identification of any new material weaknesses in the future, could limit our ability to prevent or detect a misstatement of our accounts or disclosures and could result in a material misstatement of our annual or interim financial statements. In such case, we may be unable to maintain compliance with securities law requirements regarding timely filing of periodic reports in addition to applicable stock exchange listing requirements, investors may lose confidence in our financial reporting and the price of our common stock may decline as a result.

ITEM 4. INFORMATION OF THE COMPANY

A. History and Development of the Company

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.

RISE Education Cayman Ltd is a holding company without substantive operations. Prior to the sale of our assets in December 2021, we conducted our operations primarily 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. Prior to 2021, we have expanded our network of learning centers across China, including Shanghai in March 2010, Guangzhou in September 2012, Wuxi in June 2013, Shenzhen in May 2014, Foshan in December 2017 and Shijiazhuang in July 2019. We also expanded our business to Hong Kong and Singapore through acquiring 100% equity interest of Edge Franchising Co., Ltd, or the Edge, from Edge Learning Centers Limited during the fourth quarter of 2017 (the “Edge acquisition”).

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 into 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.

In mid-2021, the Chinese government promulgated a series of new regulations that included *Guiding Opinions of the Ministry of Education on Vigorously Promoting the Scientific Connection of Kindergartens and Primary Schools* promulgated by MOE on March 30, 2021, and *Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education* promulgated by the General Office of State Council and the General Office of Central Committee of the Communist Party of China on July 24, 2021, among others (and together, the “New Regulations”). The New Regulations placed significant operational restrictions on us. In particular, all academic after-school tutoring institutions are required to register as non-profit organizations and may not be financed or controlled by foreign capital. On August 30, 2021, the General Office of the MOE, the General Office of the Ministry of Civil Affairs and the General Office of the State Administration for Market Regulation issued the *Notice of Three Departments Including the General Office of the Ministry of Education Regarding Unified Registration of Academic After-school Tutoring Institutions for Students in Compulsory Education Stage as Non-profit Institutions*, requiring all academic after-school tutoring institutions to register as non-profit by December 31, 2021, and all academic after-school tutoring institutions to suspend enrollment of students and the charging of fees pending such registration. As a result, we sold (i) all of the equity interests in Rise (Tianjin) Education Information Consulting Co., Ltd. to Wuhan Xinsili Culture Development Co., Ltd. on December 28, 2021; and (ii) all of the equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education IV Cayman Limited on December 30, 2021 (collectively, the “Sale”). Upon completion of the Sale, we have, through our subsidiaries, sold substantially all of our assets.

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On February 8, 2022, we entered into the Merger Agreement with NaaS, pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company on the terms and conditions set forth therein. Upon consummation of the Transaction, NaaS will become a wholly-owned subsidiary of the Company.

On April 29, 2022, we held an extraordinary general meeting of shareholders (the “EGM”). At the EGM, shareholders approved, through a special resolution, the transactions contemplated in the Merger Agreement, pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company in a transaction exempt from the registration requirements under the Securities Act of 1933.

Our principal executive offices are located at c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. Our telephone number is +1 345 949 8066. Our registered office in the Cayman Islands is at the offices of Maples Corporate Services Limited at 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 122 East 42nd Street, 18th Floor, New York, N.Y. 10168. Our website is *en.risecenter.com*.

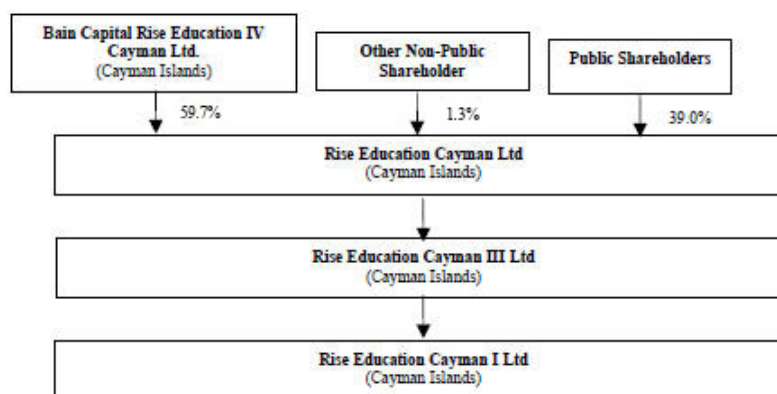
B. Business Overview

We were previously a provider of junior English language training in China. On December 28, 2021, we completed the sale of all of the equity interests in Rise (Tianjin) Education Information Consulting Co., Ltd. to Wuhan Xinsili Culture Development Co., Ltd. On December 30, 2021, we completed the sale of all of the equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education Cayman IV Limited, our major shareholder. The foregoing sales represented the sale of substantially all of the assets of the Company and its subsidiaries.

As of the date of this annual report, we do not have any business operations.

C. Organizational Structure

The chart below summarizes our corporate structure as of the date of this annual report:



D. Property, Plants and Equipment

Upon consummation of the Sale, we no longer maintain any leased office space. We will consider entering into new lease arrangements in connection with the consummation of the Mergers.

ITEM 4A. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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 annual report. 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 “Item 3. Key Information—D. Risk Factors” and elsewhere in this annual report.

A. Operating Results

Overview

We were incorporated as an exempted company under the laws of the Cayman Islands in July 2013. We are a shell company under federal securities laws and a holding company with no operations of our own. We sold substantially all of our assets on December 30, 2021. Prior to the disposal of our assets, we were a leading service provider in China’s junior ELT market, which refers to after-school English teaching and tutoring services provided by training institutions to students aged 3 to 18.

In 2020, the COVID-19 pandemic and preventative or protective actions taken by the Chinese government in respect of this pandemic had caused business disruption, including the temporary closure of the Company’s learning centers for a majority of the time during the period starting January 19, 2020 until September 2020. The Company’s franchisees have similarly experienced business disruptions during the COVID-19 pandemic and their financial performance and liquidity position have also been materially and adversely affected. As a result, the Company’s revenue from educational programs and franchisees’ business decreased. The adverse impact of COVID-19 continued into the first half of 2021, with episodes of resurgence in various Chinese cities creating uncertainties for the Company’s offline operations.

In addition, a series of new regulations promulgated by the Chinese government, such as the *Guiding Opinions of the Ministry of Education on Vigorously Promoting the Scientific Connection of Kindergartens and Primary Schools* promulgated by the Chinese Ministry of Education (the “MOE”) on March 30, 2021, the *Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education* promulgated by the General Office of State Council and the General Office of Central Committee of the Communist Party of China on July 24, 2021 (the “Opinions”) and other regulations, had put operational restrictions on the Company and materially limited the Company’s ability to conduct its business. Consequently, the Company’s financial performance has been materially and adversely affected.

The Opinions also require all academic after-school tutoring institutions to register as non-profit organizations and prohibits foreign capital from controlling or participating in any academic after-school tutoring institutions through mergers and acquisitions, entrusted operation, joining franchise or variable interest entities. On August 30, 2021, the General Office of the MOE, the General Office of the Ministry of Civil Affairs and the General Office of the State Administration for Market Regulation issued the *Notice of Three Departments Including the General Office of the Ministry of Education Regarding Unified Registration of Academic After-school Tutoring Institutions for Students in Compulsory Education Stage as Non-profit Institutions*, requiring all academic after-school tutoring institutions to complete registration as non-profit by the end of 2021, and all academic after-school tutoring institutions shall, before completing such registration, suspend enrollment of students and charging fees.

The board and senior management members of the Company periodically review the Company’s long-term strategic plans with the goal of maximizing shareholder value. As part of this ongoing process, the board and senior management members of the Company reviewed strategic alternatives that may be available to the Company including potential commercial and strategic business partnerships, acquisition transactions, new business lines, capital market events, by conducting an active, targeted search for potential strategic partners or targets, leveraging the prior experience and network of the Company’s officers and directors.

From December 28, 2021 to December 30, 2021, the Company sold all of the equity interests in Rise (Tianjin) Education Information Consulting Co., Ltd. to Wuhan Xinsili Culture Development Co., Ltd., and all of the equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education Cayman IV Limited, respectively (collectively, the “Sale”). On December 30, 2021, the Company completed the settlement (“Settlement”) with the lenders of the facilities agreement dated March 18, 2021 relating to the term and revolving facilities of up to an aggregate amount of US\$80,000,000.

The consummation of the Sale and the Settlement represented the sales of substantially all of the assets of the Company and its subsidiaries.

Results of Continuing Operations

The Company did not generate revenues from continuing operations to date. Overall, the Company incurred a net loss from continuing operations of RMB15.2 million, RMB17.6 million and a net income of RMB249.1 million (US\$39.1 million) for the year ended December 31, 2019, December 31, 2020 and December 31, 2021, respectively. Since the Company’s operations are primarily administrative, the net income from continuing operations relates entirely to the gain on troubled debt restructuring.

B. Liquidity and Capital Resources

We currently do not have any business operations. On December 30, 2021, we, through our subsidiaries, sold substantially all of our assets and became a “public shell” as defined under Nasdaq Listing Rule 5101. As a shell company and prior to the completion of the Mergers, we do not expect to have revenues, but will continue to incur operating expenses. As of December 31, 2021, although we had a working capital surplus of RMB22.0 million and cash and cash equivalents of RMB16.0 million, we also incurred legal fees, audit fees and other miscellaneous fees for the services related to the preparation of our 2021 financial statements during the first half of 2022. Therefore, these conditions considered in aggregate that raise substantial doubt on our ability to continue as a going concern within one year after the date on which the financial statements are issued.

On February 8, 2022, we and Dada Auto Inc. (“NaaS”), a leading operation and technology provider serving China’s electric vehicle charging market, executed a definitive Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company on the terms and conditions set forth therein in a transaction exempt from the registration requirements under the Securities Act of 1933 (the “Transaction”). Upon consummation of the Transaction, NaaS will become a wholly-owned subsidiary of our Company. On April 29, 2022, we held an extraordinary general meeting of shareholders (the “EGM”). At the EGM, the shareholders approved, through a special resolution, the transactions contemplated in the Merger Agreement.

We and NaaS anticipate that the Transaction will be completed around mid-2022, subject to the satisfaction of closing conditions set forth in the Merger Agreement, including among other things, receipt of regulatory approvals, including necessary PRC regulatory approvals (if applicable) and the continuous listing of our Company on the Nasdaq.

After considering management’s plans, it is probable that the Merger with Naas will be effectively implemented and would bring sufficient funding for our Company to continue as a going concern. Therefore, substantial doubt about the Group’s ability to continue as a going concern is alleviated. Therefore, our consolidated financial statements have been prepared in accordance with U.S. GAAP on a going concern basis. The going concern basis assumes that assets are realized and liabilities are extinguished in the ordinary course of business at amounts disclosed in the consolidated financial statements.

Cash Flows and Working Capital

Our principal sources of liquidity have been from cash generated from operating activities. As of December 31, 2019, 2020 and 2021, we had RMB1,022.8 million, RMB639.2 million and RMB16.0 million (US\$2.5 million), respectively, in cash, cash equivalents and restricted cash. 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, cash equivalents and restricted cash are primarily denominated in Renminbi.

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

	For the Year Ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	US\$
	(in thousands)			
Net cash (used in) continuing operating activities	(20,158)	(18,615)	(29,945)	(4,698)
Net cash (used in) discontinued operating activities	(19,696)	(187,127)	(509,825)	(80,003)
Net cash (used in) operating activities	(39,854)	(205,742)	(539,770)	(84,701)
Net cash generated from continuing investing activities	—	—	15,932	2,500
Net cash (used in) discontinued investing activities	(114,716)	(111,782)	(53,535)	(8,401)
Net cash (used in) investing activities	(114,716)	(111,782)	(37,603)	(5,901)
Net cash (used in) continuing financing activities	(140,732)	(60,674)	(15,841)	(2,486)
Net cash (used in) discontinued financing activities	—	—	(23,308)	(3,658)
Net cash (used in) financing activities	(140,732)	(60,674)	(39,149)	(6,144)
Effect of foreign exchange rate changes	1,342	(5,443)	(6,635)	(1,041)
Net (decrease) in cash, cash equivalents and restricted cash	(293,960)	(383,641)	(623,157)	(97,787)
Cash, cash equivalents and restricted cash at beginning of year	1,316,785	1,022,825	639,184	100,302
Cash, cash equivalents and restricted cash at end of year	1,022,825	639,184	16,027	2,515
Less: Cash, cash equivalents and restricted cash of discontinued operations at end of year	998,674	628,806	—	—
Cash, cash equivalents and restricted cash of continuing operations at end of year	24,151	10,378	16,027	2,515

Operating activities

Net cash used in operating activities amounted to RMB539.8 million (US\$84.7 million) in 2021, which comprised a net cash outflow in continuing operations of RMB29.9 million (US\$4.7 million) and a net cash outflow in discontinued operations of RMB509.8 million (US\$80.0 million).

Net cash used in operating activities amounted to RMB205.7 million in 2020, which comprised a net cash outflow in continuing operations of RMB18.6 million and a net cash outflow in discontinued operations of RMB187.1 million.

Net cash used in operating activities amounted to RMB39.9 million in 2019, which comprised a net cash outflow in continuing operations of RMB20.2 million and a net cash outflow in discontinued operations of RMB19.7 million.

Investing activities

Net cash used in investing activities amounted to RMB37.6 million (US\$5.9 million) in 2021, which comprised a net cash inflow in continuing operations of RMB15.9 million (US\$2.5 million), representing proceeds from disposal of subsidiaries, and a net cash outflow in discontinued operations of RMB53.5 million (US\$8.4 million).

Net cash used in investing activities amounted to RMB111.8 million in 2020, primarily reflecting a net cash outflow in discontinued operations of RMB111.8 million.

Net cash used in investing activities amounted to RMB114.7 million in 2019, primarily reflecting a net cash outflow in discontinued operations of RMB114.7 million.

Financing activities

Net cash used in financing activities amounted to RMB39.1 million (US\$6.1 million) in 2021, which comprised a net cash outflow in continuing operations of RMB15.8 million (US\$2.5 million), primarily due to the inflow of convertible loan of RMB108.3 million from a related party and a net cash outflow of principal repayments on loans of RMB125.0 million, and a net cash outflow in discontinued operations of RMB23.3 million (US\$3.6 million).

Net cash used in financing activities amounted to RMB60.7 million in 2020, primarily reflecting a net cash outflow in continuing operations of RMB60.7 million.

Net cash used in financing activities amounted to RMB140.7 million in 2019, primarily reflecting a net cash outflow in continuing operations of RMB140.7 million.

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

We do not engage in any significant research and development activities, nor do we own any intellectual property.

D. Trend Information

We did not generate any revenues. Other than as disclosed in the foregoing disclosures and elsewhere in this annual report, we are not aware of any trends, uncertainties, demands, commitments or events during the period from January 1, 2021 to December 31, 2021 that are reasonably likely to have a material adverse effect on our net revenues, income, profitability, liquidity or capital resources, or that would cause our disclosed financial information to be not necessarily indicative of future operating results or financial conditions.

E. Critical Accounting Estimates

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, the initial valuation of the assets acquired and liabilities assumed and non-controlling interest in a business combination, fair values of certain debt and equity investments, economic lives and impairment of long-lived assets, impairment of goodwill, standalone selling prices of performance obligations of revenue contracts, accounts receivable and contract assets allowances, measurement of right-of-use assets and lease liabilities 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.

Business Combinations

We account for business combinations using the purchase method of accounting in accordance with ASC 805, *Business Combinations*. The purchase method accounting requires that the consideration transferred be allocated to the assets, including separately identifiable assets and liabilities we acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

In a business combination achieved in stages, we re-measured our previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in earnings.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and non-controlling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The group determine discount rates to be used based on the risk inherent in the related activity's current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

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. All our share-based awards to employees were classified 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 — 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. 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.

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, 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. When a vesting condition that is probable of achievement is modified and the new vesting condition also is probable of achievement, the compensation cost to be recognized if either the original vesting condition or the new vesting condition is achieved cannot be less than the grant-date fair value of the original award. That compensation cost is recognized if either the original or modified vesting condition is achieved. Cancellation of the awards accompanied by the concurrent grant of a replacement award is also accounted for as a modification of the terms of the cancelled awards. Therefore, incremental compensation cost shall be measured as the excess of the fair value of the replacement award or other valuable consideration over the fair value of the cancelled award at the cancellation date.

Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the fair value of the awards and other pertinent factors at the modification date. For vested awards, we recognize incremental compensation cost in the period the modification occurs. For unvested awards, we recognize over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date. If the fair value of the modified award is lower than the fair value of the original award immediately before modification, the minimum compensation cost we recognize is the cost of the original award.

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 account for forfeitures as they occur. We, with the assistance of an independent valuation firm, determined the fair value of the stock options granted to employees. The binomial option pricing model and Monte Carlo simulation model were applied in determining the estimated fair value of the options granted to employees.

Income Taxes

We account for income taxes under ASC 740, “Income Taxes” (“ASC 740”). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s consolidated financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. We recognize accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of December 31, 2020 and 2021. We are currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

We are considered exempted Cayman Islands Companies and are presently not subject to income taxes or income tax filing requirements in the Cayman Islands or the United States.

Recent Accounting Pronouncements

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

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. Directors and Senior Management

Our board of directors reviewed the scope and roles and responsibilities of the executive officers in 2021 and determined that our executive officers for U.S. securities law purposes include our chief executive officer and chief financial officer. The following table provides information regarding our directors and executive officers as of the date of this annual report.

<u>Directors and Executive Officers</u>	<u>Age</u>	<u>Position/Title</u>
Lihong Wang	54	Chairwoman, Chief Executive Officer, Director
Jonathan Jia Zhu	59	Director
Zhongjue Chen	43	Director
Weili Hong		Independent Director, Chairman of the Corporate Governance, Audit Committee and Nominating Committee
	52	
Jun Yan	39	Independent Director, Chairman of the Compensation Committee
Alex Wu	41	Acting Chief Financial Officer

Lihong Wang has served as our director since September 2013, as our chairwoman since October 2017 and was appointed our chief executive officer in January 2020. Ms. Wang has 14 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 Stanley 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.

Jonathan Jia Zhu was appointed our director and chairman of our corporate governance and nominating committee in January 2020. Mr. Zhu is co-head of Bain Capital Asia Private Equity. He previously served on our board of directors from September 2013 to October 2017. Mr. Zhu joined Bain Capital Private Equity as Managing Director in 2006. Prior to joining Bain Capital Private Equity, Mr. Zhu was an investment banker at Morgan Stanley and CEO of its China business sector. Mr. Zhu holds a Juris Doctor degree from Cornell Law School, a Master's degree from Nanjing University, and a Bachelor's degree from Zhengzhou University.

Zhongjue Chen has served as our director since October 2013. Mr. Chen has over 15 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.

Weili Hong has served as our independent director since September 2018. Prior to that, Dr. Hong has served as the President and Chief Research Officer of CMC Holdings from 2016 to 2018. Prior to joining CMC, Dr. Hong was a partner of the Gopher Asset Management (China's No.1 leading FOFs management company) from 2014 to 2016, in charge of PE/VC FOFs and direct investments. He also served as the managing partner of KTB China from 2008 to 2012, and the head of BD in ING China from 2004 to 2007. Dr. Hong was one of the pioneers of China's capital market since he joined Shanghai Stock Exchange at its forming stage in 1992, where he served in several important positions and developed China's first financial futures product. From 1997 to 2004, Dr. Hong had served as a managing director of the securities business of China Venture-Tech Investment Group and the head of its Shanghai Branch. Dr. Hong received his Bachelor's degree in 1992 and Doctor's degrees in Economics in 1999 from Fudan University. Dr. Hong currently serves as a Guest Professor and a supervisor of the Master Degree Program in the School of Economics; and a Guest Professor of the Fanhai International School of Finance, Fudan University. Dr. Hong is also an independent director of Luolai Lifestyle Technology Co., Ltd.

Jun Yan served as our independent director since September 2018. Mr. Yan was general manager of strategic partnerships at Google China from 2017 to 2019. From 2016 to 2017, he served as vice president in VIP.com, the third largest eCommerce platform in China, and he also served as a managing director in Fosun Group prior to VIP.com. Mr. Yan served as a director in Alibaba Group from 2013 to 2016, responsible for cross border business, digital marketing and corporate development. Prior to Alibaba, Mr. Yan brought 11 years of experiences in the areas of Internet/eCommerce operation, business development, sales and marketing. He served as a general manager role in Amazon China from 2010 to 2013 and he also worked at 3M from 2005 to 2010, serving as several roles including sales manager, senior marketing manager, and general manager focusing on growing the company MRO business in China. Mr. Yan graduated from Peking University with a master's degree in Business Administration in 2013. He also received his bachelor's degree in Economics from Beijing University of Science and Technology in 2003.

Alex Wu served as our chief financial officer since September 1, 2021. Mr. Wu has extensive experience in corporate finance, technology and management matters. Mr. Wu currently serves as an executive vice president and a member of the Asian Pacific private equity team of Bain Capital Private Equity. Before joining Bain Capital Private Equity in 2017, Mr. Wu worked at PricewaterhouseCoopers Consulting with a focus on the technology, media and telecommunications (TMT) sectors and digital solutions across cloud, e-commerce and analytics. Prior to that, Mr. Wu worked with airline and telecommunications companies to plan and deliver transformation programs. Mr. Wu received his bachelor's degree in computer science from Peking University and his MBA degree from the Australian Graduate School of Management at the University of New South Wales.

B. Compensation

Compensation of Directors and Executive Officers

For the year ended December 31, 2021, we paid an aggregate of approximately RMB 6.4 million (US\$1.0 million) to our directors and executive officers.

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.

2016 ESOP Plan

In 2016, our board of directors approved an equity incentive plan, or the 2016 ESOP Plan, 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 2016 ESOP Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2016 ESOP Plan was 7,000,000. Unless otherwise approved by our shareholders, the 2016 ESOP Plan expires ten years after the date of its effectiveness.

In December 2021, our board of directors modified the exercise price of the options to \$0.25 per share under the 2016 ESOP Plan, and such options shall be exercised on or prior to December 31, 2022. There were no unvested options as of the date of modification in 2021. As of the date of this annual report, options to purchase 6,804,170 ordinary shares, excluding awards that were forfeited or canceled after the relevant grant dates, have been granted and outstanding under the 2016 ESOP Plan. We incurred share-based compensation expenses upon our initial public offering, the exercisability event, upon which the options were 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, 195,830 shares are available for grant under the 2016 ESOP Plan as of the date of this annual report.

The following paragraphs summarize the terms of the 2016 ESOP Plan.

Plan administration. Our compensation committee acts as the plan administrator.

Types of awards. The 2016 ESOP Plan permits the award of options.

Award agreements. Each award under the 2016 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 2016 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 2016 ESOP Plan. The vesting schedule is set forth in each award agreement. Each award under the 2016 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 2016 ESOP Plan. The 2016 ESOP Plan will terminate ten years from its effective date.

Amendment. Our board of directors has the authority to amend or terminate the 2016 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.

As of the date of this annual report, there are no outstanding awards under the 2016 ESOP Plan.

2017 ESOP Plan

In 2017, our board of directors approved an equity incentive plan, or the 2017 ESOP Plan, which became effective upon completion of our initial public 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.

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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.

In December 2021, our board of directors modified certain terms under the 2017 ESOP Plan, pursuant to which (i) the exercise price was adjusted down to US\$0.25 per share, (ii) the exercise period was amended to December 31, 2022, (iii) the market conditions were cancelled, and (iv) the vesting of 746,552 options granted to 17 employees was accelerated. 1,433,104 options were modified and the total incremental cost resulted from this modification was RMB136,989 (US\$21,497). As of the date of this annual report, options to purchase 1,692,654 ordinary shares, excluding awards that were forfeited or canceled after the relevant grant dates, have been granted and outstanding, and 3,307,346 shares are available for grant under the 2017 ESOP Plan.

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 is 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 is 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.

The table below sets forth certain information as of the date of this annual report, concerning the outstanding awards we have granted to our directors and executive officers individually under the 2017 ESOP Plan.

<u>Name</u>	<u>Ordinary Shares⁽¹⁾ Underlying Outstanding Awards Granted</u>	<u>Price ⁽²⁾ (US\$/Share)</u>	<u>Date of Grant ⁽²⁾</u>	<u>Date of ⁽²⁾ Expiration</u>
Lihong Wang	*	0.25	December 30, 2021	December 31, 2022

* 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.

(2) In 2020, we amended certain options previously granted under the 2017 ESOP Plan in 2019, where the exercise price was amended from US\$4.25 to US\$1.75. In 2021, we amended certain options previously granted under the 2017 ESOP Plan in 2019, where the exercise price was amended from US\$1.75 to US\$0.25, and the date of grant was amended from August 14, 2020 to December 30, 2021. The date of expiration was amended from April 1, 2029 to December 31, 2022.

2020 ESOP Plan

In 2020, our board of directors approved a new equity incentive plan, or the 2020 ESOP Plan 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.

The maximum aggregate number of ordinary shares which may be issued pursuant to all awards under the 2020 ESOP Plan is three point five percent (3.5%) of all our issued shares (on a converted basis). Unless otherwise extended by the plan administrator, the 2020 ESOP Plan will not exceed ten years after the date of its effectiveness.

In December 2021, our board of directors modified certain terms under the 2020 ESOP Plan, pursuant to which (i) the exercise price was adjusted down to US\$0.25 per share, (ii) the exercise period was amended to December 31, 2022, (iii) the market conditions were cancelled, and (iv) the vesting of 277,048 options granted to 6 employees was accelerated. 554,096 options were modified and the total incremental cost resulted from this modification was RMB17,655 (US\$2,770). As of the date of this annual report, options to purchase 712,956 ordinary shares, excluding awards that were forfeited or canceled after the relevant grant dates, have been granted and outstanding, and 3,434,538 shares are available for grant under the 2020 ESOP Plan.

The following paragraphs summarize the terms of the 2020 ESOP Plan.

Plan administration. Our compensation committee acts as the plan administrator.

Types of awards. The 2020 ESOP Plan permits the award of options, restricted shares, dividend equivalents, deferred shares, share payments, restricted share units and share appreciation rights.

Award agreements. Each award under the 2020 ESOP Plan will be evidenced by an award agreement between the award recipient and our company.

Eligibility. Any person who is an employee, a consultant or a non-employee director, as determined by the Committee, are eligible to receive awards or grants under the 2020 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 adjustments to the individual vesting schedules and other restrictions applicable to the awards granted under the 2020 ESOP Plan. The vesting schedule will be set forth in each award agreement. Each award under the 2020 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 2020 ESOP Plan. The 2020 ESOP Plan will terminate on the tenth anniversary of its effective date.

Amendment. The plan administrator has the authority to terminate, suspend, amend or modify the 2020 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.

The table below sets forth certain information as of the date of this annual report, concerning the outstanding awards we have granted to our directors and executive officers individually under the 2020 ESOP Plan.

<u>Name</u>	<u>Ordinary Shares⁽¹⁾ Underlying Outstanding Awards Granted</u>	<u>Price ⁽²⁾ (US\$/Share)</u>	<u>Date of Grant⁽²⁾</u>	<u>Date of ⁽²⁾ Expiration</u>
Lihong Wang	*	0.25	December 30, 2021	December 31, 2022

* 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.

(2) In 2021, we amended certain options previously granted under the 2020 ESOP Plan in 2020, where the exercise price was amended from US\$1.75 to US\$0.25, and the date of grant was amended from September 11, 2020 to December 30, 2021. The date of expiration was amended from September 11, 2030 to December 31, 2022.

C. Board Practice

Our board of directors consists of five directors. 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 our initial public offering, we established 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 our initial public offering. Each committee's members and functions are described below.

Audit Committee. Our audit committee consists of Weili Hong and Jun Yan, and is chaired by Weili Hong. Each of them satisfies 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 board of directors has also determined that Weili Hong 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 oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is 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 consists of Zhongjue Chen and Jun Yan, and is chaired by Jun Yan. Jun Yan satisfies the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market. Our compensation committee assists 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 her compensation is deliberated upon. The compensation committee is 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;

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- 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 consists of Jonathan Jia Zhu and Weili Hong, and is chaired by Weili Hong. Weili Hong satisfies the "independence" requirements of Rule 5605(a)(2) of the Listing Rules of the NASDAQ Stock Market. The corporate governance and nominating committee assists 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 is 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, and the class rights vested thereunder in the holders of the shares. 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.

Our board of directors has all the powers necessary for managing, and for directing and supervising, our business affairs. The functions and powers of our board of directors include, among others:

- convening shareholders' annual 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 or her 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 or her 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 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 have standardized 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, willful, 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 have entered 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.

D. Employees

As of the date of this report, other than our executive officers as described above, we have no employees and has not retained any contractor (other than consultants and advisors in the ordinary course of business consistent with past practice or in connection with the hearing with the Nasdaq).

E. Share Ownership

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of the date of this annual report:

- 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 118,499,830 ordinary shares issued and outstanding as of March 31, 2022.

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 our initial public 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	Percentage of Total Voting Power held (%†)
Directors and Executive Officers:⁽¹⁾		
Lihong Wang	3,171,296	2.7%
All directors and executive officers as a group	3,171,296	2.6%
Principal Shareholders:		
Bain Capital Rise Education IV Cayman Limited ⁽²⁾	70,800,808	59.7%

* 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 annual report, by the sum of (i) 118,499,830 which is the total number of ordinary shares outstanding as of March 31, 2022, 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 annual report.
- (1) The business address of Mr. Zhongjue Chen and Mr. Jonathan Jia Zhu is Suite 2501, Level 25, One Pacific Place, 88 Queensway, Hong Kong, and the business address of Ms. Lihong Wang and our other directors and executive officers is c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.
- (2) Bain Capital Rise Education IV Cayman Limited, or 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.

We are currently controlled by Bain Capital IV Cayman Limited, or Bain Capital. As of December 31, 2021, Bain Capital indirectly beneficially owns approximately 59.7% of the voting power of our outstanding shares.

To our knowledge, as of the date of this annual report, 47,699,022 of our ordinary shares, representing approximately 40.3% of our total outstanding ordinary shares, were held by record holders in the United States, including 46,162,798 ordinary shares held by JP Morgan Chase Bank, N.A. as the depository of our ADS program and 1,536,224 ordinary shares held by six individual shareholders. None of our existing shareholders has different voting rights from other shareholders. 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.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

A. Major Shareholders

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

B. Related Party Transactions

Share Incentive Plan

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

Employment Agreements and Indemnification Agreements

See “Item 6. Directors, Senior Management and Employees—C. Board Practice—Employment Agreements and Indemnification Agreements.”

Other Transactions with Related Parties

As previously discussed, as part of the Sale, we also sold all of the equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education IV Cayman Limited on December 30, 2021. We are currently controlled by Bain Capital Rise Education IV Cayman Limited, which beneficially owned approximately 59.7% of the voting power of our outstanding shares as of December 31, 2021.

We entered into a convertible loan agreement with Bain Capital Rise Education IV Cayman Limited on December 1, 2021, pursuant to which Bain Capital Rise Education IV Cayman Limited granted a convertible loan of RMB108.3 million (US\$17 million) to the Company, mature at June 30, 2023. The loan is convertible into ordinary shares of the Company at US\$0.35 per share, or US\$0.70 per ADS, representing a premium of 10% over the volume weighted average closing price of the Company’s ADSs (each representing two ordinary shares) published on the relevant page on Bloomberg that shows such price on each day for a period of ten trading days prior to the date of the Convertible Loan Deed. Bain Capital Rise Education IV Cayman Limited plans to exercise conversion right when the Company completes the Merger with NaaS around mid-2022.

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On February 8, 2022, we entered into the Merger Agreement with NaaS, pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company on the terms and conditions set forth therein. Upon consummation of the Transaction, NaaS will become a wholly-owned subsidiary of the Company. BCPE Nutcracker Cayman, L.P., an affiliate of Bain Capital Rise Education IV Cayman Limited, holds approximately 0.9% and 16.9% of the outstanding shares of NaaS and Newlink, respectively.

C. Interest of Experts and Counsel

Not applicable.

ITEM 8. FINANCIAL INFORMATION

A. Consolidated Financial Statements and Other Financial Information

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

B. Significant Changes

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

ITEM 9. THE OFFER AND LISTING

A. Offer and Listing Details

Our ADSs have been listed on the NASDAQ Global Market since October 20, 2017 and traded under the symbol “REDU.” Each ADS represents two ordinary shares.

B. Plan of Distribution

Not applicable.

C. Markets

Our ADSs have been listed on the NASDAQ Global Market since October 20, 2017 under the symbol “REDU.”

D. Selling Shareholders

Not applicable.

E. Dilution

Not applicable.

F. Expenses of the Issue

Not applicable.

ITEM 10. ADDITIONAL INFORMATION

A. Share Capital

Not applicable.

B. Memorandum and Articles of Association

We incorporate by reference into this annual report our Amended and Restated Memorandum and Articles of Association, the form of which was filed as Exhibit 3.2 to our registration statement on Form F-1 (File Number: 333-220587) filed with the Securities and Exchange Commission on September 22, 2017. Our board of directors adopted our Amended and Restated Memorandum and Articles of Association by a special resolution on September 22, 2017, which became effective immediately prior to completion of our initial public offering of ADSs representing our ordinary shares.

C. Material Contracts

The following summarizes each material contract, other than contracts entered into in the ordinary course of business, to which we or any subsidiary of ours is a party for the immediately preceding two years.

WFOE Purchase Agreement. On December 1, 2021, the Company, Wuhan Xinsili Culture Development Co., Ltd. (the “Buyer SPV”), Rise (Tianjin) Education Information Consulting Co., Ltd. (“WFOE”), Beijing Step Ahead Education Technology Development Co., Ltd. (“VIE”), RISE Education International Limited (“Rise HK”) and Rise IP (Cayman) Limited (“Rise IP”) entered into a purchase agreement (the “WFOE Purchase Agreement”). The Buyer SPV is a newly-formed limited liability company controlled by the buyer consortium (the “Buyer Consortium”) consisting of certain franchisees of the Company and an affiliate of the Company’s senior management, who are PRC nationals.

Pursuant to the WFOE Purchase Agreement, the Company has agreed to, through Rise HK, sell all of the equity interests in WFOE to the Buyer Consortium (the “WFOE Sale”), in consideration of the Buyer Consortium (i) paying to Rise HK a nominal consideration, and (ii) assuming all liabilities of WFOE and its subsidiaries. Conditions precedent to the WFOE Sale include, among others, (i) Rise HK and Rise IP shall grant WFOE or other entities designated by the Buyer Consortium a royalty-free, perpetual, irrevocable and exclusive license over all intellectual property rights owned by or licensed to Rise HK and/or Rise IP, (ii) the Company shall make an additional capital contribution to WFOE in US dollars equivalent of RMB20 million, and (iii) the lenders (the “Lenders”) of the facilities agreement dated March 18, 2021 relating to the term and revolving facilities of up to an aggregate amount of US\$80,000,000 (the “Facilities Agreement”) shall have released the applicable guarantees, obligations and equity pledges provided by WFOE and VIE. In addition, the Buyer SPV and its affiliates warrant that they will have no less than RMB100,000,000 at the closing of the WFOE Sale to fund the business operations of WFOE and its subsidiaries after completion of the Sale.

IP Holdco Purchase Agreement. On December 1, 2021, the Company entered into a share purchase agreement (the “IP Holdco Purchase Agreement”) with Rise Education Cayman I Ltd (the “IP Seller”) and Bain Capital Rise Education IV Cayman Limited, a major shareholder of the Company (the “Shareholder”). The IP Seller is also the borrower (the “Borrower”) under the Facilities Agreement. Pursuant to the IP Holdco Purchase Agreement, the Company and the IP Seller have agreed to sell all of the equity interests in Rise HK and Rise IP to the Shareholder in consideration of the Shareholder (i) on behalf of the Borrower, paying US\$2,500,000 to the Lenders in settlement of the Facilities Agreement, and (ii) causing Rise HK and Rise IP to grant WFOE or other entities designated by the Buyer Consortium a royalty-free, perpetual, irrevocable and exclusive license over all intellectual property rights owned by or licensed to Rise HK and/or Rise IP (the “IP Sale”, and together with the WFOE Sale, the “Sale”). The IP Sale is subject to, among other customary conditions precedent, the completion of the WFOE Sale.

Settlement Agreement. In connection with the Sale, the Borrower, WFOE, VIE and the Shareholder and certain other parties entered into a settlement agreement (the “Settlement Agreement”) with the Lenders on December 1, 2021. Under the Settlement Agreement, the Lenders agreed to (i) acknowledge and consent to the Sale, (ii) discharge and release all liabilities and obligations of the Company and its subsidiaries under the Facilities Agreement in the amount of US\$55,746,367.04; (iii) terminate, release and discharge all security interest, guarantee and indemnity created in connection with the Facilities Agreement; and (iv) waive, release and discharge all claims arising from or in connection with the Facilities Agreement, in exchange for (i) an aggregate amount of US\$10,377,972.06, and (ii) the transfer of all interest in the Edge business (the “Edge Business”) that offers admission consulting, academic tutoring and test preparation services in Hong Kong and Singapore for students who intend to study abroad to a person nominated by the Lenders, and the obligation of the Borrower and the Shareholder to use their respective reasonable endeavors to run and manage the sale of the Edge Business to a third party for the 12 months following completion of the settlement contemplated under the Settlement Agreement (the “Settlement”). The Settlement is subject to, among other customary conditions precedent, the credit approval for each Lender, which the Lenders undertake to take all reasonable actions and steps required to obtain on or before December 17, 2021.

Convertible Loan Deed. In order for the Company to make the settlement payment under the Settlement Agreement, make an additional capital contribution to WFOE pursuant to the WFOE Purchase Agreement and pay for certain operating expenses, the Company entered into a convertible loan deed with the Shareholder on December 1, 2021 (the “Convertible Loan Deed”), pursuant to which the Shareholder will provide an interest-free convertible loan of US\$17 million to the Company, mature at June 30, 2023, convertible into ordinary shares of the Company at US\$0.35 per share, or US\$0.70 per ADS, representing a premium of 10% over the volume weighted average closing price of the Company’s ADSs (each representing two ordinary shares) published on the relevant page on Bloomberg that shows such price on each day for a period of ten trading days prior to the date of the Convertible Loan Deed (the “Convertible Loan”). In addition, at any time prior to the date falling 30 days after the date of the Convertible Loan Deed (the “Solicitation Period”), the Company has the right to solicit and raise alternative financing and prepay any drawn portion of the Convertible Loan and cancel any undrawn portion of the Convertible Loan in full with proceeds from such alternative financing. The Shareholder shall not have the right to convert the Convertible Loan during the Solicitation Period.

The Company announced closing of the Sale on December 30, 2021, upon which the Company has, through its subsidiaries, sold substantially all of its assets.

Merger Agreement. On February 8, 2022, the Company announced that it and Dada Auto Inc. (“NaaS”), a leading operation and technology provider serving China’s electric vehicle (“EV”) charging market, entered into a definitive Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company on the terms and conditions set forth therein in a transaction exempt from the registration requirements under the Securities Act of 1933 (the “Merger”). Upon consummation of the Merger, NaaS will become a wholly-owned subsidiary of the Company.

Support Agreement. On February 8, 2022, Bain Capital Rise Education IV Cayman Limited, has entered into a support agreement (the “Support Agreement”), agreeing to vote in favor of the Merger and other proposals as may be reasonably agreed to by NaaS and the Company as necessary or appropriate in connection with the consummation of the Merger.

Voting Agreement. In connection with the execution of the Merger Agreement, Newlinks Technology Limited, the parent company of NaaS, entered into a voting agreement with the Company and NaaS. Also in connection with the execution of the Merger Agreement, BCPE Nutcracker Cayman, L.P., an affiliate of the Bain Capital Rise Education IV Cayman Limited, which holds approximately 0.9% and 16.9% of the outstanding shares of NaaS and Newlink, respectively, as of the date of this annual report, entered into a voting agreement with the Company and NaaS (the “Newlink Shareholder Voting Agreement”, collectively with the Newlink Voting Agreement, the “Voting Agreements”), pursuant to which Newlink and BCPE Nutcracker Cayman, L.P. have, among other things, agreed to vote all of the shares that they beneficially own in NaaS and Newlink, as applicable, to approve of the Merger and other proposals as may be reasonably agreed to by the Company and NaaS as necessary or appropriate in connection with the consummation of the transactions contemplated by the Merger Agreement.

D. Exchange Controls

The Cayman Islands currently has no exchange control regulations or currency restrictions.

E. 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 annual report, 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 and December 29, 2018, 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 partner and 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, have been and 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;

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- a person who owns or is deemed to own ADSs or shares representing 10% or more of our vote or value;
- a U.S. expatriate;
- an S corporation, partnership or other pass-through entity for United States federal income tax purposes;
- a person subject to the base erosion and anti-abuse tax;
- a person required to accelerate recognition of any item of gross income with respect to our ADSs or shares as a result of such income being recognized on an applicable financial statement; 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 established 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 “—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 composition of our income and assets, and valuation of our assets, and the market value of our ADSs, we do not believe we were a PFIC for the taxable year ended December 31, 2021, 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.

While we do not believe we were a PFIC for the taxable year ended December 31, 2021, the determination of whether we are a PFIC must be determined on an annual basis. Accordingly, there can be no assurance that we will not be a PFIC in any future taxable years. The determination of whether we are or will become a PFIC will depend on the composition of our income (which may differ from our historical results and current projections) and the assets and value of our assets from time to time, including, in particular, the value of our goodwill and other unbooked intangibles (which may depend on the market value of our ADSs from time-to-time and may be volatile). Among other matters, if our market capitalization 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 any prior taxable year, 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, including cash. Accordingly, 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 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.

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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. Such United States Holders’ adjusted tax basis in the ADSs will be increased by the amount of any such income inclusion and decreased by the amount of any such deductions under the mark-to-market rules. 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. Backup withholding may also apply to such payments if you fail to provide a taxpayer identification number and make other required certifications, unless you otherwise establish an exemption.

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.

You are urged to consult your own tax advisors regarding the application of the information reporting and backup withholding rules.

Information with respect to foreign financial assets

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.

F. Dividends and Paying Agents

Not applicable.

G. Statement by Experts

Not applicable.

H. Documents on Display

We previously filed with the SEC registration statement on Form F-1 (File Number 333-220587), as amended, including prospectus contained therein, to register additional securities that become effective immediately upon filing, to register our ordinary shares in relation to our initial public offering. We also filed with the SEC registration statement on Form F-1 (File Number: 333-225414), as amended, including the prospectus contained therein, to register our ordinary shares in relation to a follow-on public offering. We also filed with the SEC related registration statement on Form F-6 (File Number: 333-220873) to register the ADSs and registration statement on Form S-8 (File Number: 333-222775 and 333-248729) to register our securities to be issued under our 2016 ESOP Plan, 2017 ESOP Plan and 2020 ESOP Plan.

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We are subject to the periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Under the Exchange Act, we are required to file reports and other information with the SEC. Specifically, we are required to file annually a Form 20-F within four months after the end of each fiscal year. Copies of reports and other information, when so filed with the SEC, can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can request copies of these documents, upon payment of a duplicating fee, by writing to the SEC. The public may obtain information regarding the Washington, D.C. Public Reference Room by calling the Commission at 1-800-SEC-0330. The SEC also maintains a web site at www.sec.gov that contains reports, proxy and information statements, and other information regarding registrants that make electronic filings with the SEC using its EDGAR system. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of quarterly reports and proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

We will furnish JPMorgan Chase Bank, N.A., the depositary of our ADSs, with our annual reports, which will include a review of operations and annual audited consolidated financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meetings and other reports and communications that are made generally available to our shareholders. The depositary will make such notices, reports and communications available to holders of ADSs and, upon our request, will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

I. Subsidiary Information

Not applicable.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Foreign Currency Exchange 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 US\$, there was appreciation of 1.3%, depreciation of 6.3% and 1.4% during the years ended December 31, 2019, 2020 and 2021. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

To the extent that the Company needs to convert US\$ into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against US\$ 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 US\$ for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of US\$ against RMB would have a negative effect on the US\$ amount available to the Company. In addition, a significant depreciation of the RMB against the US\$ may significantly reduce the US\$ 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 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 US\$ 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 Company's cash and cash equivalents, and restricted cash denominated in RMB amounted to RMB16.0 million (US\$2.5 million) as of December 31, 2021.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

A. Debt Securities

Not applicable.

B. Warrants and Rights

Not applicable.

C. Other Securities

Not applicable.

D. American Depositary Shares

Fees and Charges Our ADS Holders May Have to Pay

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.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

A.—D. Material Modifications to the Rights of Security Holders

See “Item 10. Additional Information” for a description of the rights of shareholders, which remain unchanged.

E. Use of Proceeds

The following “Use of Proceeds” information relates to the registration statement on Form F-1 (File No. 333-220587), as amended, including the prospectus contained therein, which registered 22,000,000 ordinary shares representing by ADSs and was declared effective by the SEC on October 19, 2017, for our initial public offering, which closed in October 2017, and the underwriters’ exercise of their option to purchase from us an additional 1,650,000 ADSs representing 3,300,000 ordinary shares, or the optional offering, which closed in October 2017, at an initial offering price of US\$14.50 per ADS. Morgan Stanley & Co. International plc, Credit Suisse Securities (USA) L.L.C, UBS Securities LLC and HSBC Securities (USA) Inc. were the representatives of the underwriters. We received an aggregated net proceeds of approximately US\$57.9 million from our initial public offering and the option offering. None of these net proceeds from the initial public offering and the optional offering were paid, directly or indirectly, to any of our directors or officers or their associates, persons owning 10% or more of our equity securities or our affiliates or others.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) designed to ensure that the information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and is accumulated and communicated to our management, including our Chief Executive Officer (our principal executive officer) and Acting Chief Financial Officer (our principal financial officer), as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and Acting Chief Financial Officer, has performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2021, the end of the period covered by this annual report, as required by Rule 13a-15(b) under the Exchange Act.

Based upon that evaluation, our management, with the participation of our Chief Executive Officer and Acting Chief Financial Officer, has concluded that, as of the end of the period covered by this annual report, we did not maintain effective disclosure controls and procedures as of December 31, 2021 due to the material weaknesses identified in our internal control over financial reporting as described below. We have taken action to and will continue to undertake remedial steps to address such material weaknesses.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Notwithstanding the material weaknesses in our internal control over financial reporting, we have concluded that the consolidated financial statements included in this annual report on Form 20-F fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with accounting principles generally accepted in the United States of America.

Management’s Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) under the Exchange Act. Our management, with the participation of our Chief Executive Officer and Acting Chief Financial Officer, evaluated the effectiveness of our internal control over financial reporting based on criteria established in the framework in Internal Control—Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that we did not maintain effective internal control over financial reporting as of December 31, 2021 due to the material weaknesses identified in our internal control over financial reporting.

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Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

The material weaknesses identified related to our lack of sufficient competent financial reporting and accounting personnel with appropriate understanding of U.S. GAAP to design and implement formal period-end financial reporting controls and procedures to address U.S. GAAP technical accounting issues, and to prepare and review the consolidated financial statements and related disclosures in accordance with U.S. GAAP and financial reporting requirements set forth by the SEC. However, we cannot assure you that these measures may fully address or remediate the material weaknesses and control deficiencies.

Management's Plan for Remediation

Management has discussed the material weakness described above with the Audit Committee and is in the process of identifying the steps necessary to design a remediation plan in order to remediate the material weaknesses. We anticipate that such plan will include the addition of accounting resources.

Attestation Report of the Registered Public Accounting Firm

This annual report on Form 20-F does not include an attestation report of the company's registered public accounting firm as an attestation report is not required pursuant to the Sarbanes-Oxley Act of 2002, as amended, and the rules and regulations of the SEC.

Inherent Limitations on Effectiveness of Controls

A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Because of its inherent limitations, internal control over financial reporting may not prevent or detect all control issues or misstatements. Accordingly, our controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our control system are met. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become adequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) that occurred during the period covered by this annual report that has materially affected, or is reasonably likely to materially affect, our internal control financial reporting.

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

Our board of directors has also determined that Weili Hong, an independent director and a member of our audit committee, qualifies as an "audit committee financial expert" within the meaning of the SEC rules and possesses financial sophistication within the meaning of Listing Rules of the NASDAQ Stock Market. Weili Hong meets the independence standards under Rule 10A-3 under the Exchange Act.

ITEM 16B. CODE OF ETHICS

Our board of directors has adopted a code of business conduct and ethics that applies to all of our directors, officers, employees, including certain provisions that specifically apply to our principal executive officer, principal financial officer, principal accounting officer or controller and any other persons who perform similar functions for us. We have filed our code of business conduct and ethics as Exhibit 99.1 of our registration statement on Form F-1 (File Number: 333-220587) filed with the SEC on September 22, 2017 and posted a copy of our code of business conduct and ethics on our website at en.risecenter.com. We hereby undertake to provide to any person without charge, a copy of our code of business conduct and ethics within ten working days after we receive such person's written request.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees by categories specified below in connection with certain professional services rendered by Ernst & Young Hua Ming LLP and BDO China Shu Lun Pan Certified Public Accountants LLP, our independent registered public accounting firms, for the years ended December 31, 2020 and 2021, respectively. We did not pay any other fees to our independent registered public accounting firm during the periods indicated below.

	For the Year Ended December 31,	
	2020	2021
	(in thousands)	
Audit fees ⁽¹⁾	\$ 1,143	\$ 612
Tax fees ⁽²⁾	—	—
All other fees ⁽³⁾	\$ 881	—

- (1) Audit fees means the aggregate fees billed in each of the fiscal periods listed for professional services rendered by our principal auditors for the audit of our annual consolidated financial statements and assistance with and review of documents filed with the SEC.
- (2) Tax fees means the aggregate fees billed in each of the fiscal periods listed for professional tax services rendered by our principal auditors.
- (3) “All other fees” means the aggregate fees billed in each of the fiscal periods listed for professional services rendered by our principal auditors other than the professional services reported under “audit fees”, “audit-related fees” and “tax fees”. In 2020, the professional services were related to permissible advisory services rendered by our principal auditors.

The policy of our audit committee is to pre-approve all audit and non-audit services provided by BDO China Shu Lun Pan Certified Public Accountants LLP, our independent registered public accounting firm, including audit services and audit-related services as described above, other than those for de minimus services which are approved by the audit committee prior to the completion of the audit.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On November 15, 2018, we announced a share repurchase program (the “Share Repurchase Program”) for a total consideration of up to US\$30.0 million of our outstanding ADSs for a period not exceeding one year commencing on November 19, 2018. The Share Repurchase Program was completed during the third quarter of 2019, pursuant to which the Company repurchased a total of 1,158,741 ADSs, representing 2,311,482 ordinary shares, on the open market, at an average price of US\$8.66 per ADS and for an aggregate consideration of US\$10.0 million.

ITEM 16F. CHANGE IN REGISTRANT’S CERTIFYING ACCOUNTANT

On November 22, 2021, we announced that Ernst & Young Hua Ming LLP (“EY”) had resigned as the independent registered public accounting firm of our Company, effective November 19, 2021.

EY’s audit report on the Company’s consolidated financial statements as of and for the years ended December 31, 2020 and 2019 did not contain an adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended December 31, 2020 and 2019, and the interim period through November 19, 2021, there has been no (i) “disagreements” as defined in Item 16F (a)(1)(iv) of Form 20-F and the related instructions, between the Company and EY on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of EY, would have caused EY to make reference to the subject matter of the disagreement thereto in its reports on the consolidated financial statements for such periods; or (ii) “reportable events” as that term is described in accordance with Item 16F(a)(1)(v) of Form 20-F, except as previously disclosed, there were outstanding matters that require further assessment with respect to regulatory requirements that severely impacted the Company’s operations and its ability to continue as a going concern: “Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education Stage”(the “Opinion”), and the circular published by the Chinese Ministry of Education and Two other government authorities on its website to implement the Opinion, which requires all academic after-school tutoring institutions to complete registration as a not-for-profit organization by the end of December 31, 2021. As of the date of EY’s resignation, the Company has not been able to provide information to EY to resolve the above-mentioned matters to their satisfaction. Accordingly, EY was unable to progress their audit or render its audit report on our consolidated financial statements for the year ended December 31, 2021. EY is authorized to discuss these matters with our new auditor without limitation.

We provided a copy of the foregoing disclosure in Item 16F to EY and requested that EY furnish a letter addressed to the SEC stating whether it agrees with the above statements, and if not, stating the respects in which it does not agree. A copy of the letter from EY addressed to the SEC, dated May 13, 2022, is filed as Exhibit 15.2 to this annual report.

On January 7, 2022, we announced that the Board of Directors (the “Board”) has appointed BDO China Shu Lun Pan Certified Public Accountants LLP (“BDO”) as the Company’s new auditor, effective as of January 7, 2022. The appointment of BDO was considered and approved by the audit committee of the Board and the Board.

During each of the fiscal years ended December 31, 2019 and 2020 and the subsequent period prior to our engagement of BDO, neither we nor anyone on our behalf consulted BDO with respect to (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our consolidated financial statements, and neither a written report nor oral advice was provided to us that BDO concluded was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue; (b) any matter that was either the subject of a disagreement, as defined in Item 16F (a)(1)(iv) of the instructions to Form 20-F, or (c) any reportable event, as defined in Item 16F (a)(1)(v) of the instructions to Form 20-F.

ITEM 16G. CORPORATE GOVERNANCE

The listing rules of the Nasdaq (the “Nasdaq Listing Rules”), include certain accommodations in the corporate governance requirements that allow foreign private issuers, such as us, to follow “home country” corporate governance practices in lieu of the otherwise applicable corporate governance standards of the Nasdaq pursuant to the requirement under Rule 5615(a)(3) of the Nasdaq Listing Rules. The application of such exceptions requires that we disclose any significant ways that our corporate governance practices differ from the Nasdaq Listing Rules that we do not follow. We are currently a “controlled company” as defined under Rule 5615(c) of the Nasdaq Listing Rules. Upon ceasing to be a “controlled company”, as a foreign private issuer, we intend to continue to follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of the Nasdaq in respect of the following:

- the requirement under Rule 5620(a) of the Nasdaq Listing Rules for holding an annual meeting of shareholders within one year of the end of each fiscal year;
- the requirement under Rule 5605(b) of the Nasdaq Listing Rules that the majority of the board of directors must be comprised of Independent Directors as defined in Rule 5605(a)(2) of the Nasdaq Listing Rules;
- the requirement under Rule 5605(d) of the Nasdaq Listing Rules that each compensation committee member must be an Independent Director as defined in Rule 5605(a)(2) of the Nasdaq Listing Rules; and
- the requirement under Rule 5605(e) of the Nasdaq Listing Rules that each nomination committee member must be an Independent Director as defined in Rule 5605(a)(2) of the Nasdaq Listing Rules.

ITEM 16H. MINE SAFETY DISCLOSURE

Not applicable.

ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTION THAT PREVENT INSPECTIONS

Not applicable.

PART III**ITEM 17. FINANCIAL STATEMENTS**

We have elected to provide financial statements pursuant to Item 18.

ITEM 18. FINANCIAL STATEMENTS

The consolidated financial statements of RISE Education Cayman Ltd are included at the end of this annual report.

ITEM 19. EXHIBITS

Exhibit Number	Description of Document
1.1	Amended and Restated Memorandum and Articles of Association of the Registrant (incorporated by reference to Exhibit 3.2 from our registration statement on Form F-1 (File No. 333-220587) filed publicly with the SEC on September 22, 2017)
2.1	Form of Registrant's Specimen American Depositary Receipt (included in Exhibit 2.3)
2.2	Registrant's Specimen Certificate for ordinary shares (incorporated by reference to Exhibit 4.2 from our registration statement on Amendment No. 2 to Form F-1 (File No. 333-220587) filed publicly with the SEC on October 18, 2017)
2.3	Form of Deposit Agreement among the registrant, the depositary and owners and holders of the ADSs (incorporated by reference to Exhibit 4.3 from our registration statement on Amendment No. 2 to Form F-1 (File No. 333-220587) filed publicly with the SEC on October 18, 2017)
4.1	English translation of Purchase Agreement, dated December 1, 2021, among RISE Education Cayman Ltd, Wuhan Xinsili Culture Development Co., Ltd., RISE Education International Limited, Rise (Tianjin) Education Information Consulting Co., Ltd., Beijing Step Ahead Education Technology Development Co., Ltd. and Rise IP (Cayman) Limited (incorporated by reference to Exhibit 99.2 from our report of foreign private issuer on Form 6-K (File No. 001-38235) filed publicly with the SEC on December 1, 2021)
4.2	Share Purchase Agreement, dated December 1, 2021, among RISE Education Cayman Ltd, Rise Education Cayman I Ltd and Bain Capital Rise Education IV Cayman Limited (incorporated by reference to Exhibit 99.3 from our report of foreign private issuer on Form 6-K (File No. 001-38235) filed publicly with the SEC on December 1, 2021)
4.3	Agreement and Plan of Merger, dated February 8, 2022, by and among RISE Education Cayman Ltd, Dada Merger Sub Limited, Dada Merger Sub II Limited and Dada Auto, Inc. (incorporated by reference to Exhibit 99.2 from our report of foreign private issuer on Form 6-K (File No. 001-38235) filed publicly with the SEC on February 8, 2022)
4.4	Shareholder Support Agreement, dated as of February 8, 2022, by and among RISE Education Cayman Ltd, Dada Auto, Inc., and Bain Capital Rise Education IV Cayman Limited (incorporated by reference to Exhibit 99.3 from our report of foreign private issuer on Form 6-K (File No. 001-38235) filed publicly with the SEC on February 8, 2022)
4.5	Company Shareholder Voting Agreement, dated as of February 8, 2022, by and among RISE Education Cayman Ltd, Dada Auto, Inc., and Newlinks Technology Limited (incorporated by reference to Exhibit 99.4 from our report of foreign private issuer on Form 6-K (File No. 001-38235) filed publicly with the SEC on February 8, 2022)
11.1	Code of Business Conduct and Ethics of the Registrant (incorporated by reference to Exhibit 99.1 from our registration statement on Form F-1 (File No. 333-220587) filed publicly with the SEC on September 22, 2017)
12.1*	Certification by the Group Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
12.2*	Certification by the Group Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
13.1**	Certification by the Group Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
13.2**	Certification by the Group Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
15.1*	Consent of BDO China Shu Lun Pan Certified Public Accountants LLP, Independent Registered Public Accounting Firm
15.2*	Letter from Ernst & Young Hua Ming LLP, Independent Registered Public Accounting Firm
15.3*	Consent of Maples and Calder (Hong Kong) LLP
101.INS*	Inline XBRL Instance Document — the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document

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Exhibit Number	Description of Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File the cover page XBRL tags are embedded within the Exhibit 101 Inline XBRL document set

* Filed with this annual report on Form 20-F.

** Furnished with this annual report on Form 20-F.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

RISE Education Cayman Ltd

By: /s/ Lihong Wang

Name: Lihong Wang

Title: Chairwoman and Chief Executive Officer

Date: May 13, 2022

[Signature Page to 20-F]

RISE EDUCATION CAYMAN LTD

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Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors
RISE Education Cayman Ltd
Grand Cayman, Cayman Islands

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheet of RISE Education Cayman Ltd and its subsidiaries (“the Company”) as of December 31, 2021, and the related consolidated statement of income/(loss), comprehensive income/(loss), changes in shareholders’ equity, and cash flows for the year ended December 31, 2021, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting 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.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/BDO China Shu Lun Pan Certified Public Accountants LLP

We have served as the Company’s auditor since 2022.

Beijing, China
May 13, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of RISE Education Cayman Ltd

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of RISE Education Cayman Ltd (the “Company”) as of December 31, 2020, the related consolidated statements of income/(loss), comprehensive income/ (loss), changes in shareholders’ equity, and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting 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.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young Hua Ming LLP

We served as the Company’s auditor from 2017 to 2021.

Beijing, the People’s Republic of China

April 19, 2021 except for Notes 3 and 14, as to which the date is May 13, 2022

RISE EDUCATION CAYMAN LTD

CONSOLIDATED BALANCE SHEETS

(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),
except share and ADS data and per share and per ADS data)

	As at December 31,		
	2020	2021	2021
	RMB	RMB	US\$
ASSETS			
Current assets:			
Cash and cash equivalents	5,134	16,027	2,515
Restricted cash	5,244	—	—
Amounts due from related parties	181	177	28
Prepayments and other current assets	4,509	14,451	2,268
Current assets of discontinued operations (including current assets of the variable interest entity (“VIE”) without recourse to the Company amounting to RMB420,254 and RMB nil as of December 31, 2020 and 2021, respectively)	729,500	—	—
Total current assets	744,568	30,655	4,811
Non-current assets:			
Non-current assets of discontinued operations (including non-current assets of the VIE without recourse to the Company amounting to RMB1,134,372 and RMB nil as of December 31, 2020 and 2021, respectively)	1,681,837	—	—
Total non-current assets	1,681,837	—	—
Total assets	2,426,405	30,655	4,811
LIABILITIES AND SHAREHOLDERS’ EQUITY			
Current liabilities:			
Current portion of long-term loan	226,744	—	—
Accrued expenses and other current liabilities	1,469	8,625	1,353
Current liabilities of discontinued operations (including current liabilities of the variable interest entity (“VIE”) without recourse to the Company amounting to RMB882,038 and RMB nil as of December 31, 2020 and 2021, respectively)	940,142	—	—
Total current liabilities	1,168,355	8,625	1,353
Non-current liabilities:			
Long-term loan	191,397	—	—
Other non-current liabilities	—	2,838	445
Convertible loan from related parties	—	108,334	17,000
Non-current liabilities of discontinued operations (including non-current liabilities of the VIE without recourse to the Company amounting to RMB499,092 and RMB nil as of December 31, 2020 and 2021, respectively)	565,147	—	—
Total non-current liabilities	756,544	111,172	17,445
Total liabilities	1,924,899	119,797	18,798
Commitments and contingencies			
Shareholders’ equity:			
Ordinary shares (US\$0.01 par value; 200,000,000 and 200,000,000 shares authorized, 112,951,232 and 113,030,392 shares issued and outstanding as of December 31, 2020 and 2021, respectively)	6,959	6,964	1,093
Additional paid-in capital	603,173	274,036	43,002
Statutory reserves	105,357	—	—
Accumulated deficit	(260,019)	(403,149)	(63,263)
Accumulated other comprehensive income	39,642	33,007	5,181
Total RISE Education Cayman Ltd shareholders’ equity (deficit)	495,112	(89,142)	(13,987)
Non-controlling interests	6,394	—	—
Total equity (deficit)	501,506	(89,142)	(13,987)
Total liabilities, non-controlling interests and shareholders’ equity	2,426,405	30,655	4,811

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF INCOME/(LOSS)

(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),
except share and ADS data and per share and per ADS data)

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Operating expenses:				
General and administrative	(15,275)	(17,606)	(30,003)	(4,708)
Total operating expenses	(15,275)	(17,606)	(30,003)	(4,708)
Operating loss	(15,275)	(17,606)	(30,003)	(4,708)
Interest income	80	13	2	—
Gain on troubled debt restructuring	—	—	279,097	43,796
Net income/(loss) from continuing operations before income tax expense	(15,195)	(17,593)	249,096	39,088
Net income/(loss) from continuing operations	(15,195)	(17,593)	249,096	39,088
Net income/(loss) from discontinued operations, net of tax	159,755	(123,851)	(507,280)	(79,603)
Net income/(loss)	144,560	(141,444)	(258,184)	(40,515)
Net income/(loss) from continuing operations attributable to non-controlling interests	—	—	—	—
Loss from discontinued operations attributable to non-controlling interests	(3,540)	(9,011)	(9,697)	(1,522)
Less: Net loss attributable to non-controlling interests	(3,540)	(9,011)	(9,697)	(1,522)
Net income/(loss) attributable to RISE Education Cayman Ltd	148,100	(132,433)	(248,487)	(38,993)
Net income/(loss) from continuing operations attributable to RISE Education Cayman Ltd	(15,195)	(17,593)	249,096	39,088
Net income/(loss) from discontinued operations attributable to RISE Education Cayman Ltd, net of tax	163,295	(114,840)	(497,583)	(78,081)
Net income/(loss) attributable to RISE Education Cayman Ltd	148,100	(132,433)	(248,487)	(38,993)
Net income/(loss) per share - Basic:				
Continuing operations	(0.13)	(0.15)	2.21	0.35
Discontinued operations	1.44	(1.02)	(4.41)	(0.69)
Total net income/(loss) per share - Basic	1.31	(1.17)	(2.20)	(0.34)
Net income/(loss) per share - Diluted:				
Continuing operations	(0.13)	(0.15)	2.21	0.35
Discontinued operations	1.42	(1.02)	(4.41)	(0.69)
Total net income/(loss) per share - Diluted	1.29	(1.17)	(2.20)	(0.34)
Net income/(loss) per ADS*- Basic:				
Continuing operations	(0.26)	(0.31)	4.42	0.70
Discontinued operations	2.88	(2.04)	(8.82)	(1.38)
Total net income/(loss) per ADS - Basic	2.62	(2.35)	(4.40)	(0.68)
Net income/(loss) per ADS* - Diluted:				
Continuing operations	(0.25)	(0.31)	4.42	0.70
Discontinued operations	2.84	(2.04)	(8.82)	(1.38)
Total net income/(loss) per ADS - Diluted	2.59	(2.35)	(4.40)	(0.68)
Shares used in net income/(loss) per share computation				
Basic	113,187,721	112,813,031	112,868,532	112,868,532
Diluted	114,464,108	112,813,031	112,868,532	112,868,532

*1 ADS represents 2 ordinary shares

The accompanying notes are an integral part of the consolidated financial statements.

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),
except share and ADS data and per share and per ADS data)

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 US\$
Net income/(loss)	144,560	(141,444)	(258,184)	(40,515)
Other comprehensive income/(loss), net of tax of nil:				
Foreign currency translation adjustments	(1,542)	(1,275)	(6,635)	(1,041)
Other comprehensive income/(loss)	(1,542)	(1,275)	(6,635)	(1,041)
Comprehensive income/(loss)	143,018	(142,719)	(264,819)	(41,556)
Less: comprehensive income (loss) attributable to non-controlling interests	(3,540)	(9,011)	(9,697)	(1,522)
Comprehensive income/(loss) attributable to RISE Education Cayman Ltd	146,558	(133,708)	(255,122)	(40,034)

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 share and ADS data and per share and per ADS data)

	Ordinary shares (Number)	Ordinary Shares (Amount)	Additional paid-in capital	Treasury shares	Statutory reserves	Accumulated deficit	Accumulative other comprehensive income/(loss)	Total RISE Education Cayman Ltd shareholder's equity	Non- controlling interests	Total shareholders' equity
Balance at										
January 1, 2019	113,779,244	7,074	600,011	(23,460)	78,345	(248,674)	42,459	455,755	(14,921)	440,834
Net income	—	—	—	—	—	148,100	—	148,100	(3,540)	144,560
Acquisition of subsidiary	—	—	—	—	—	—	—	—	33,866	33,866
Share-based compensation	—	—	47,889	—	—	—	—	47,889	—	47,889
Issuances in relation to share option exercise	468,384	32	4,615	—	—	—	—	4,647	—	4,647
Other comprehensive income	—	—	—	—	—	—	(1,542)	(1,542)	—	(1,542)
Repurchase of ordinary shares*	(1,492,308)	—	—	(45,953)	—	—	—	(45,953)	—	(45,953)
Retirement of treasury shares*	—	(160)	(69,253)	69,413	—	—	—	—	—	—
Appropriation of statutory reserves	—	—	—	—	26,485	(26,485)	—	—	—	—
Balance at										
December 31, 2019	112,755,320	6,946	583,262	—	104,830	(127,059)	40,917	608,896	15,405	624,301
Net loss	—	—	—	—	—	(132,433)	—	(132,433)	(9,011)	(141,444)
Share-based compensation	—	—	17,999	—	—	—	—	17,999	—	17,999
Issuances in relation to share option exercise	195,912	13	1,912	—	—	—	—	1,925	—	1,925
Other comprehensive income	—	—	—	—	—	—	(1,275)	(1,275)	—	(1,275)
Appropriation of statutory reserves	—	—	—	—	527	(527)	—	—	—	—
Balance at										
December 31, 2020	112,951,232	6,959	603,173	—	105,357	(260,019)	39,642	495,112	6,394	501,506

* In November 2018, the Board of Directors approved share repurchase program to purchase up to US\$30,000 of the Company's ordinary shares. As of December 31, 2019, pursuant to the share repurchase program, the Company repurchased 1,158,741 outstanding ADS representing 2,317,482 outstanding ordinary shares for an aggregated purchase price of RMB69,413. All shares repurchased were retired as of December 31, 2019 (Note 2).

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Continued)

(Amounts in thousands of Renminbi ("RMB") and U.S. dollars ("US\$"),
except share and ADS data and per share and per ADS data)

	Ordinary shares (Number)	Ordinary Shares (Amount)	Additional paid-in capital	Treasury shares	Statutory reserves	Accumulated deficit	Accumulative other comprehensive income/(loss)	Total RISE Education Cayman Ltd shareholder's equity	Non- controlling interests	Total shareholders' equity
Balance at December 31, 2020	112,951,232	6,959	603,173	—	105,357	(260,019)	39,642	495,112	6,394	501,506
Net loss	—	—	—	—	—	(248,487)	—	(248,487)	(9,697)	(258,184)
Share-based compensation	—	—	9,537	—	—	—	—	9,537	—	9,537
Issuances in relation to share option exercise	79,160	5	807	—	—	—	—	812	—	812
Other comprehensive income	—	—	—	—	—	—	(6,635)	(6,635)	—	(6,635)
Appropriation of statutory reserves	—	—	—	—	1,565	(1,565)	—	—	—	—
Disposal of RISE IP&RISE HK	—	—	(339,481)	—	—	—	—	(339,481)	—	(339,481)
Disposal of WFOE	—	—	—	—	(106,922)	106,922	—	—	3,303	3,303
Balance at December 31, 2021	113,030,392	6,964	274,036	—	—	(403,149)	33,007	(89,142)	—	(89,142)
Balance at December 31, 2021 (US\$)	113,030,392	1,093	43,002	—	—	(63,263)	5,181	(13,987)	—	(13,987)

RISE EDUCATION CAYMAN LTD

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in thousands of Renminbi (“RMB”) and U.S. dollars (“US\$”),
except share and ADS data and per share and per ADS data)

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	US\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income/(loss) from continuing operations	(15,195)	(17,593)	249,096	39,088
Gain on troubled debt restructuring	—	—	(279,097)	(43,796)
Changes in operating assets and liabilities:				
Prepayments and other current assets	(5,946)	1,437	(9,942)	(1,560)
Accrued expenses and other current liabilities	983	(2,459)	7,160	1,125
Other non-current liabilities	—	—	2,838	445
Net cash (used in) continuing operating activities	(20,158)	(18,615)	(29,945)	(4,698)
Net cash (used in) discontinued operating activities	(19,696)	(187,127)	(509,825)	(80,003)
Net cash (used in) operating activities	(39,854)	(205,742)	(539,770)	(84,701)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of subsidiaries	—	—	15,932	2,500
Net cash generated from continuing investing activities	—	—	15,932	2,500
Net cash (used in) discontinued investing activities	(114,716)	(111,782)	(53,535)	(8,401)
Net cash (used in) investing activities	(114,716)	(111,782)	(37,603)	(5,901)
CASH FLOWS FROM FINANCING ACTIVITIES				
Repurchase of ordinary shares	(48,047)	—	—	—
Principal repayments on loans	(97,332)	(62,599)	(124,987)	(19,613)
Proceeds from exercise of share options	4,647	1,925	812	127
Convertible loan from related party	—	—	108,334	17,000
Net cash generated used in continuing financing activities	(140,732)	(60,674)	(15,841)	(2,486)
Net cash (used in) discontinued financing activities	—	—	(23,308)	(3,658)
Net cash (used in) financing activities	(140,732)	(60,674)	(39,149)	(6,144)
Effects of exchange rate changes	1,342	(5,443)	(6,635)	(1,041)
Net decrease in cash, cash equivalents and restricted cash	(293,960)	(383,641)	(623,157)	(97,787)
Cash, cash equivalents and restricted cash at beginning of year	1,316,785	1,022,825	639,184	100,302
Cash, cash equivalents and restricted cash at end of year	1,022,825	639,184	16,027	2,515
Less: Cash, cash equivalents and restricted cash of discontinued operations at end of year	998,674	628,806	—	—
Cash, cash equivalents and restricted cash of continuing operations at end of year	24,151	10,378	16,027	2,515
Supplemental disclosures of cash flow information of continuing operations:				
Cash and cash equivalents	14,043	5,134	16,027	2,515
Restricted cash	10,108	5,244	—	—

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 share and ADS data and per share and per ADS 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.

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” or “China”) and Hong Kong Special Administration Region (“Hong Kong”). 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”). As of December 31, 2021, the Group only includes the Company, and the other two wholly-owned subsidiaries registered in the Cayman Islands.

The Group was principally engaged in the business of providing junior ELT services in China primarily under the “RISE” brand. The Group offered wide range of educational programs, services and products, consisting primarily of educational courses, sale of course materials, franchise services, and study tours.

On December 1, 2021, the Company, Wuhan Xinsili Culture Development Co., Ltd. (the “Buyer SPV”), Rise (Tianjin) Education Information Consulting Co., Ltd. (“WFOE”), Beijing Step Ahead Education Technology Development Co., Ltd. (“VIE”), RISE Education International Limited (“Rise HK”) and Rise IP (Cayman) Limited (“Rise IP”) entered into a purchase agreement (the “WFOE Purchase Agreement”). The Buyer SPV is a newly-formed limited liability company controlled by the buyer consortium (the “Buyer Consortium”) consisting of certain franchisees of the Company and an affiliate of the Company’s senior management, who are PRC nationals.

Pursuant to the WFOE Purchase Agreement, the Company has agreed to, through Rise HK, sell all of the equity interests in WFOE to the Buyer Consortium (the “WFOE Sale”), in consideration of the Buyer Consortium (i) paying to Rise HK a nominal consideration, and (ii) assuming all liabilities of WFOE and its subsidiaries. Conditions precedent to the WFOE Sale include, among others, (i) Rise HK and Rise IP shall grant WFOE or other entities designated by the Buyer Consortium a royalty-free, perpetual, irrevocable and exclusive license over all intellectual property rights owned by or licensed to Rise HK and/ or Rise IP, (ii) RISE HK shall make an additional capital contribution to WFOE in US dollars equivalent of RMB20,000, and (iii) the lenders (the “Lenders”) of the facilities agreement dated March 18, 2021 relating to the term and revolving facilities of up to an aggregate amount of US\$80,000 (the “Facilities Agreement”) shall have released the applicable guarantees, obligations and equity pledges provided by WFOE and VIE. In addition, the Buyer SPV and its affiliates warrant that they will have no less than RMB100,000 at the closing of the WFOE Sale to fund the business operations of WFOE and its subsidiaries after completion of the Sale.

On the same day, the Company entered into a share purchase agreement (the “IP Holdco Purchase Agreement”) with Rise Education Cayman I Ltd (the “IP Seller”) and Bain Capital Rise Education IV Cayman Limited, a major shareholder of the Company (the “Shareholder”). The IP Seller is also the borrower (the “Borrower”) under the Facilities Agreement. Pursuant to the IP Holdco Purchase Agreement, the Company and the IP Seller have agreed to sell all of the equity interests in Rise HK and Rise IP to the Shareholder in consideration of the Shareholder (i) on behalf of the Borrower, paying US\$2,500 to the Lenders in settlement of the Facilities Agreement, and (ii) causing Rise HK and Rise IP to grant WFOE or other entities designated by the Buyer Consortium a royalty-free, perpetual, irrevocable and exclusive license over all intellectual property rights owned by or licensed to Rise HK and/or Rise IP (the “IP Sale”, and together with the WFOE Sale, the “Sale”). The IP Sale is subject to, among other customary conditions precedent, the completion of the WFOE Sale.

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
except share and ADS data and per share and per ADS data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)

In connection with the Sale, the Borrower, WFOE, VIE and the Shareholder and certain other parties entered into a settlement agreement (the “Settlement Agreement”) with the Lenders on December 1, 2021. Under the Settlement Agreement, the Lenders agreed to (i) acknowledge and consent to the Sale, (ii) discharge and release all liabilities and obligations of the Company and its subsidiaries under the Facilities Agreement in the amount of approximately US\$55,746; (iii) terminate, release and discharge all security interest, guarantee and indemnity created in connection with the Facilities Agreement; and (iv) waive, release and discharge all claims arising from or in connection with the Facilities Agreement, in exchange for (i) an aggregate amount of approximately US\$10,377, and (ii) the transfer of all interest in the Edge business (the “Edge Business”) that offers admission consulting, academic tutoring and test preparation services in Hong Kong and Singapore for students who intend to study abroad to a person nominated by the Lenders, and the obligation of the Borrower and the Shareholder to use their respective reasonable endeavors to run and manage the sale of the Edge Business to a third party for the 12 months following completion of the settlement contemplated under the Settlement Agreement (the “Settlement”). The Settlement is subject to, among other customary conditions precedent, the credit approval for each Lender, which the Lenders undertake to take all reasonable actions and steps required to obtain on or before December 17, 2021.

In order for the Company to make the settlement payment under the Settlement Agreement, make an additional capital contribution to WFOE pursuant to the WFOE Purchase Agreement and pay for certain operating expenses, the Company entered into a convertible loan deed with the Shareholder on December 1, 2021 (the “Convertible Loan Deed”), pursuant to which the Shareholder will provide an interest-free convertible loan of US\$17,000 to the Company for a period of 360 days, convertible into ordinary shares of the Company at US\$0.35 per share, or US\$0.70 per ADS, representing a premium of 10% over the volume weighted average closing price of the Company’s ADSs (each representing two ordinary shares) published on the relevant page on Bloomberg that shows such price on each day for a period of ten trading days prior to the date of the Convertible Loan Deed (the “Convertible Loan”). In addition, at any time prior to the date falling 30 days after the date of the Convertible Loan Deed (the “Solicitation Period”), the Company has the right to solicit and raise alternative financing and prepay any drawn portion of the Convertible Loan and cancel any undrawn portion of the Convertible Loan in full with proceeds from such alternative financing. The Shareholder shall not have the right to convert the Convertible Loan during the Solicitation Period.

On December 30, 2021, the Company has closed the “Sale”, in which, the Company has sold (i) all of the equity interests in Rise (Tianjin) Education Information Consulting Co., Ltd. to Wuhan Xinsili Culture Development Co., Ltd. on December 28, 2021; and (ii) all of the equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education IV Cayman Limited on December 30, 2021. Upon completion of the Sale, the Company has, through its subsidiaries, sold substantially all its assets and becomes a “public shell”.

In connection with the Sale, on December 30, 2021, the settlement (“Settlement”) with the lenders (“Lenders”) of the facilities agreement dated March 18, 2021 relating to the term and revolving facilities of up to an aggregate amount of US\$80,000 has also been completed. As part of the Settlement, all interest in the Edge business that offers admission consulting, academic tutoring and test preparation services in Hong Kong and Singapore for students who intend to study abroad has been transferred to a person nominated by the Lenders.

As of December 31, 2021, details of the Company’s subsidiaries 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 EDUCATION CAYMAN LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

1. ORGANIZATION AND BASIS OF PRESENTATION (Continued)***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 (“U.S. GAAP”).

Going concern

The Group has adopted ASC 205-40, Presentation of Financial Statements—Going Concern, which requires that management evaluate whether there are relevant conditions and events that, in the aggregate, raise substantial doubt about the entity’s ability to continue as a going concern and to meet its obligations as they become due within one year after the date that the consolidated financial statements are issued.

During the year ended December 31, 2021, the Company has, through its subsidiaries, sold substantially all its assets and becomes a “public shell”. That means there will be no revenues, but operating expenses incurred in the future. As of December 31, 2021, although the Group had a working capital surplus of RMB22.0 million, cash and cash equivalents of RMB16.0 million, but there is still legal fee, audit fee and other miscellaneous fee incurred for the services of the 2021 financial statement during the first half year of 2022. Therefore, these conditions considered in aggregate that raise substantial doubt regarding the Group’s ability to continue as a going concern within one year after the date on which the financial statements of 2021 are issued.

The Group has plans in place to involve new operating business, and began exploring strategic alternatives, including business combinations. On February 8, 2022, the Company and Dada Auto Inc. (“NaaS”), a leading operation and technology provider serving China’s electric vehicle charging market, executed a definitive Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company on the terms and conditions set forth therein in a transaction exempt from the registration requirements under the Securities Act of 1933 (the “Transaction”). Upon consummation of the Transaction, NaaS will become a wholly-owned subsidiary of the Company. On April 29, 2022, the Company’s extraordinary general meeting of shareholders (the “EGM”) was held. At the EGM, shareholders approved, through a special resolution, the transactions contemplated in the Merger Agreement.

The Company and NaaS anticipate that the Transaction will be completed around mid-2022, subject to the satisfaction of closing conditions set forth in the Merger Agreement, including among other things, receipt of Company shareholder approval and regulatory approvals, including necessary PRC regulatory approvals (if applicable) and the continuous listing of the Company on the Nasdaq.

After considering management’s plans, it is probable that the Merger with NaaS will be effectively implemented and would bring sufficient funding for the Company to continue as a going concern. Therefore, substantial doubt about the Group’s ability to continue as a going concern is alleviated.

The Group’s consolidated financial statements have been prepared in accordance with U.S. GAAP on a going concern basis. The going concern basis assumes that assets are realized and liabilities are extinguished in the ordinary course of business at amounts disclosed in the consolidated financial statements.

RISE EDUCATION CAYMAN LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)**

2. SIGNIFICANT ACCOUNTING POLICIES***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.

The Company deconsolidates its subsidiaries or business in accordance with ASC 810 as of the date the Company ceased to have a controlling financial interest in the subsidiaries. The Company accounts for the deconsolidation of its subsidiaries or business by recognizing a gain or loss in net income/loss attributable to the Company in accordance with ASC 810. This gain or loss is measured at the date the subsidiaries are deconsolidated as the difference between (a) the aggregate of the fair value of any consideration received, the fair value of any retained non-controlling interest in the subsidiaries being deconsolidated, and the carrying amount of any non-controlling interest in the subsidiaries being deconsolidated, including any accumulated other comprehensive income/loss attributable to the non-controlling interest, and (b) the carrying amount of the assets and liabilities of the subsidiaries being deconsolidated.

The Company assesses whether a deconsolidation is required to be presented as discontinued operations in its consolidated financial statements on the deconsolidation date. This assessment is based on whether or not the deconsolidation represents a strategic shift that has or will have a major effect on the Company’s operations or financial results. If the Company determines that a deconsolidation requires presentation as a discontinued operation on the deconsolidation date, or at any point during the one-year period following such date, it will present the former subsidiary as a discontinued operation in current and comparative period financial statements.

Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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, the initial valuation of the assets acquired and liabilities assumed and non-controlling interest in a business combination, fair values of certain debt and equity investments, economic lives and impairment of long-lived assets, impairment of goodwill, standalone selling prices of performance obligations of revenue contracts, accounts receivable and contract assets allowances, measurement of right-of-use assets and lease liabilities and share-based compensation. Actual results could differ from those estimates.

Convenience translation

Amounts in the United States Dollars (“US\$”) are presented for the convenience of the reader and are translated at the noon buying rate of RMB6.3726 per US\$1.00 on December 30, 2021 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 share and ADS data and per share and per ADS data)**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency

The functional currency of the Company, its Cayman subsidiaries and Rise HK are the US\$, the functional currency of Edge Franchising and Edge Online Co. Limited are the Hong Kong Dollars (“HK\$”). 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 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 and principal payments within one year on the Group’s long-term loan; and deposits restricted as to withdrawal or use under government regulations.

In November 2016, the FASB issued Accounting Standards Update (“ASU”) No. 2016-18, *Statement of Cash Flows* (Topic 230): Restricted Cash, which requires companies to include amounts generally described as restricted cash and restricted cash equivalents in cash and cash equivalents when reconciling beginning-of-period and end-of-period total amounts presented in the statement of cash flows. The Group adopted the new standard effective January 1, 2018, using the retrospective transition method. All restricted cash was presented on the face of the consolidated balance sheet as “Restricted cash.”

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Discontinued Operations

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.

Long-term investment

The Group’s long-term investment is an equity investment in unlisted company based in the PRC over which the Group neither has significant influence nor control through investment in common stock or in-substance common stock.

The Group adopted ASC 321, Investments — Equity Securities (“ASC 321”) on January 1, 2018, pursuant to which, equity investments with readily determinable fair value, except for those accounted for under the equity method, those that result in consolidation of the investee and certain other investments, are measured at fair value, and any changes in fair value are recognized in earnings. For equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC 820, Fair Value Measurements and Disclosures (“ASC 820”) to estimate fair value using the net asset value per share (or its equivalent) of the investment, the Group elected to use the measurement alternative to measure all its investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

The Group makes a qualitative assessment of whether the equity investment is impaired at each reporting date. If a qualitative assessment indicates that the investment is impaired, the Group has to estimate the investment’s fair value in accordance with the principles of ASC 820. If the fair value is less than the investment’s carrying value, the Group has to recognize an impairment loss in the consolidated statements of income/(loss) equal to the difference between the carrying value and fair value. As stipulated in the investment agreement, the Group contributed an additional RMB4,000 to the equity investee in 2020. The Group recognized impairment charge of nil, RMB37,000 and nil for the year 2019, 2020 and 2021, respectively. There were also no unrealized gains (upward adjustments) or losses (downward adjustments), excluding impairment resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer during the periods presented.

Inventories - Discontinued Operations

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, 2019, 2020 and 2021, the Group did not have any provision for inventories.

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)***Property and equipment - Discontinued Operations***

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	3 – 5 years
Vehicles	4 years
Leasehold improvements	Shorter of the lease term or estimated useful life

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.

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 Chief Executive Officer of the Group, 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. Substantially all of the Group’s revenues for the years ended December 31, 2019, 2020 and 2021 were generated from the PRC. As of December 31, 2020, a majority of the long-lived assets of the Group are located in the PRC, and therefore, no geographical segments are presented. At the end of December 2021, the Group disposed all of the assets located in the PRC.

Troubled Debt Restructuring

The Group accounts for a debt amendment as a troubled debt restructuring when the transaction meets the two criteria: 1) The Group was experiencing financial difficulties; 2) the lender was granting a concession when the effective borrowing rate on the restructured debt is less than the effective borrowing on the original debt. If future undiscounted cash flows is greater than the net carrying value of the original debt, no gain is recognized, and a new effective interest rate is established based on the carrying value of the original debt and the revised cash flows. If future undiscounted cash flows is less than the net carrying value of the original debt, the difference between future undiscounted cash flows and the net carrying value of the original debt is recognized as gain on troubled debt restructuring, and the carrying value of the debt is adjusted to the future undiscounted cash flow amount. According to ASC205-20-45, when the debt will be not assumed by the buyer in the transaction and is required to be repaid as a result of the disposal, the interest cost on the debt should be allocated to discontinued operations and the debt should be allocated to continuing operations. For the year ended December 31, 2021, the Company recognized gain on debt distinguishment of RMB279,097 (US\$43,796) in continuing operations.

RISE EDUCATION CAYMAN LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)***Non-controlling interests – Discontinued Operations***

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 – Discontinued Operations

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, 2020 and 2021, respectively. Goodwill was allocated to the one reporting unit as of December 31, 2020 and 2021, respectively. 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.

On January 1, 2020, the Group adopted ASU No. 2017-04, Simplifying the Test for Goodwill Impairment, which simplifies the accounting for goodwill impairment by eliminating Step two from the goodwill impairment test. Under the new guidance, if the fair value of a reporting unit exceeds its carrying amount, goodwill is not impaired and no further testing is required. If the fair value of a reporting unit is less than the carrying value, an impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit’s fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. For the years ended December 31, 2019, 2020 and 2021, the Group recorded RMB nil, RMB nil and RMB nil impairment loss on goodwill respectively related to continuing operations, and RMB nil, RMB nil and RMB nil were related to discontinued operations for the years ended December 31, 2019, 2020 and 2021, respectively. Under ASC 810-10, when a reporting unit is to be disposed of in its entirety, the entity must include in the reporting unit’s carrying amount the goodwill of that reporting unit in determining the gain or loss on disposal. The goodwill derecognized is no longer assigned to a reporting unit for purposes of impairment testing. As refer to Note 1, upon completion of the Sale, the Company has, through its subsidiaries, sold substantially all its assets. Therefore, the management of the Company did not perform goodwill impairment test at the end of December 31, 2021.

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets - Discontinued Operations

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	2.5-3 years
Student base	3-5 years
Trademarks	10-15 years
Purchased software	3-5 years
Licensed copyright	The shorter of contractual terms or estimated useful lives of the assets
Teaching course materials	10 years

Impairment of long-lived assets other than goodwill – Discontinued Operations

The Group evaluates its long-lived assets, including fixed assets, intangible assets and operating lease right-of-use 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 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. As of December 31, 2021, there was a full impairment of RMB4,069 (US\$639) for partial intangible assets related to discontinued operations as the Group decided such intangible assets do not satisfy its current need and cannot accommodate the Group’s future strategy and thus the Group cannot benefit from existing implementation work nor re-sell/sublicense the license or work to others, which was recorded in other income, net.

RISE EDUCATION CAYMAN LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)***Business Combinations***

The Group accounts for business combinations using the purchase method of accounting in accordance with ASC 805, *Business Combinations*. The purchase method accounting requires that the consideration transferred be allocated to the assets, including separately identifiable assets and liabilities the Group acquired, based on their estimated fair values. The consideration transferred in an acquisition is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date. The costs directly attributable to the acquisition are expensed as incurred. Identifiable assets, liabilities and contingent liabilities acquired or assumed are measured separately at their fair value as of the acquisition date, irrespective of the extent of any non-controlling interests. The excess of (i) the total of cost of acquisition, fair value of the non-controlling interests and acquisition date fair value of any previously held equity interest in the acquiree over (ii) the fair value of the identifiable net assets of the acquiree, is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in earnings.

In a business combination achieved in stages, the Group re-measured the Group’s previously held equity interest in the acquiree immediately before obtaining control at its acquisition-date fair value and the re-measurement gain or loss, if any, is recognized in earnings.

The determination and allocation of fair values to the identifiable assets acquired, liabilities assumed and non-controlling interests is based on various assumptions and valuation methodologies requiring considerable judgment from management. The most significant variables in these valuations are discount rates, terminal values, the number of years on which to base the cash flow projections, as well as the assumptions and estimates used to determine the cash inflows and outflows. The group determine discount rates to be used based on the risk inherent in the related activity’s current business model and industry comparisons. Terminal values are based on the expected life of assets, forecasted life cycle and forecasted cash flows over that period.

Fair value of financial instruments – Discontinued Operations

Financial instruments include cash and cash equivalents, short-term investments, restricted cash, certain other current assets, long-term investment, accounts payable, long-term loan, customer advances, lease liabilities and certain other current liabilities. For long-term investment, the Group elected to use the measurement alternative to measure those investments at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any. The carrying amounts of remaining 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.

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition- Discontinued Operations

On January 1, 2018, the Group adopted ASC 606, *Revenue from contracts with customers* (“ASC 606”) utilizing the modified retrospective method applied to those contracts which were not completed as of January 1, 2018. Accordingly, revenues for the years ended December 31, 2018 and the following years were presented in accordance with ASC 606, and revenues for the year ended December 31, 2017 was not adjusted and continued to be presented in accordance with ASC 605, *Revenue Recognition*. The cumulative effect of adopting ASC 606 resulted in an adjustment to increase the opening balance of accumulated deficit on January 1, 2018 by RMB44,122, with the impact related to the recognition of initial franchise fees. The Group’s accounting policy before January 1, 2018 was to recognize initial franchise fees when franchisees commence operations under the RISE brand or upon the renewal of the franchise agreements. In accordance with ASC 606, the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement, and will therefore, be treated as a single performance obligation. Therefore, initial franchise fees should be recognized over the franchise term, which is generally five years under ASC 606.

The Group’s revenue recognition policies following the adoption of ASC 606 are as follows:

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration which the Group expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Group determines are within the scope of the new revenue recognition accounting standard, the Group performs the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Group satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the Group will collect the consideration it is entitled to in exchange for the goods or services transferred to the customer. At contract inception, the Group assesses the goods or services promised within each contract to determine those that represent performance obligations, and assess whether each promised good or service is distinct. The Group then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. Revenue is recognized net of business tax, value added taxes and tax surcharges.

Contract liabilities relate to contracts where the Group received payments but has not yet satisfied the related performance obligations. The advance consideration received from customers for the services is a contract liability until services are provided to the customer and are presented in “deferred revenue and customer advances” in the consolidated balance sheets.

Contract assets include costs to obtain contracts with customers. Costs to obtain contracts with customers are incremental costs to obtain franchise contracts, which are recorded as prepayment and other current assets, and other non-current assets depending on the estimated life of the underlying franchise contracts.

The primary sources of the Group’s revenues are as follows:

(a) Educational programs

Educational programs’ contracts generally consist of two performance obligations, English courses and course materials, which are both capable of being distinct and distinct in the context of the contract. The transaction price is stated in the contract and known at the time of contract inception, therefore no variable consideration exists. 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 the transaction price and are allocated across all performance obligations unless observable evidence exists that the discount relates to a specific performance obligation or obligations in the contract. Revenue is allocated to each performance obligation based on its standalone selling price. The Group generally determines standalone selling prices based on the prices charged to students. If the standalone selling price is not observable through past transactions, the Group estimates the standalone selling price taking into account available information such as market conditions and internally approved pricing guidelines related to the performance obligations.

Course fees are collected in full in advance of the commencement of each course and each course comprises of a fixed amount of classes. The Group uses the student’s daily attendance records of both offline and online courses, an output measure, to recognize revenue over time as it best depicts the simultaneous consumption and delivery of educational program services. 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, revenue associated with distinct course materials is recognized at the point in time when control transfers to the student, generally when the student attends the first class of the respective course.

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition- Discontinued Operations (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.

To be consistent with our management reporting framework, revenues from educational programs include revenues generated by The Edge starting from the first quarter of 2019 and revenues generated from Can-Talk starting from the first quarter of 2020. Revenues from educational programs in previous years have been adjusted to take this into account. The Edge offers admission consulting, academic tutoring and test preparation services for students who intend to study abroad and each service represents an individual performance obligation. For admission consulting services, the Group uses the input method by reference to the consulting hours incurred up to the end of reporting period as a percentage of total estimated hours to recognize revenue over a fixed contract period, which best depicts the Group’s efforts toward satisfying the performance obligation relative to the total expected efforts. For academic tutoring and test preparation services, the Group use students’ attendance records, an output measure, to recognize revenue over time as it best depicts the simultaneous consumption and delivery of such services.

(b) Franchise revenues

Franchise revenues includes non-refundable initial franchise fees and the recurring franchise fees from its franchisees. The initial franchise 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. In accordance with the new revenue recognition standard, the initial franchise services are not distinct from the continuing rights offered during the term of the franchise agreement and will therefore be treated as a single performance obligation. As such, beginning in January 2018, initial franchise fees are deferred and recorded as “deferred revenue and customer advances”, and are recognized over the franchise term as the performance obligation is satisfied, which is generally five years. The Group also receives sales-based 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 at the time the underlying franchisees’ sale of services occur.

(c) Other revenues

Other revenues comprise mainly of the provision of overseas and domestic study tour services. The Group determined the overseas study tours contract contains a single performance obligation and the Group is the principal in providing overseas study tours services as it controls such services before the services are transferred to the customer. Therefore, the Group recognizes study tours revenue on a gross basis. The Group recognize revenue over the service period of the study tour, which is, generally around two to three weeks, as it best depicts the simultaneous consumption and delivery of overseas study tours services.

Advertising expenditures- Discontinued Operations

Advertising costs are expensed when incurred and are included in selling expenses in the consolidated statements of (loss)/income.

RISE EDUCATION CAYMAN LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)***Leases - Discontinued Operations***

The Group adopted ASU No. 2016-02, *Leases* (Topic 842) (“ASC 842”) from January 1, 2019 by using the modified retrospective method and did not restate the comparable periods. The Group has elected the package of practical expedients, which allows the Group not to reassess (1) whether any expired or existing contracts as of the adoption date are or contain a lease, (2) lease classification for any expired or existing leases as of the adoption date and (3) initial direct costs for any expired or existing leases as of the adoption date. The Group elected the short-term lease exemption for all contracts with lease terms of 12 months or less. The Group have lease agreements with lease and non-lease components, which are generally accounted for separately.

The Group determines if an arrangement is a lease or contains a lease at lease inception. For operating leases, the Group recognizes a right-of-use (“ROU”) asset and a lease liability based on the present value of the lease payments over the lease term on the consolidated balance sheets at commencement date. As most of the Group’s leases do not provide an implicit rate, the Group estimates its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. The ROU assets also include any lease payments made, net of lease incentives. Lease expense is recorded on a straight-line basis over the lease term. On April 10, 2020, the FASB issued guidance for lease concessions provided to lessees in response to the effects of COVID-19. Such guidance allows lessees to make an election not to evaluate whether a lease concession provided by a lessor should be accounted for as a lease modification, in the event the concession does not result in a substantial increase in the rights of the lessor or the obligations of the lessee. Such concessions would be recorded as negative lease expense in the period of relief. The Group elected this practical expedient in accounting for lease concessions provided for certain of the Group’s learning center agreements.

Upon adoption of ASC 842, the Group recognized ROU assets of RMB601,610 and total lease liabilities (including current and non-current) RMB610,500 for operating leases as of January 1, 2019. The impact of adopting ASC 842 on the Group’s opening retained earnings, current year net income and current year cash flow was insignificant.

The Group’s operating leases mainly related to offices and classroom facilities.

Income/(loss) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based compensation – Discontinued Operations

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 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. When a vesting condition that is probable of achievement is modified and the new vesting condition also is probable of achievement, the compensation cost to be recognized if either the original vesting condition or the new vesting condition is achieved cannot be less than the grant-date fair value of the original award. That compensation cost is recognized if either the original or modified vesting condition is achieved. Cancellation of the awards accompanied by the concurrent grant of a replacement award is also accounted for as a modification of the terms of the cancelled awards. Therefore, incremental compensation cost shall be measured as the excess of the fair value of the replacement award or other valuable consideration over the fair value of the cancelled award at the cancellation date.

Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the fair value of the awards and other pertinent factors at the modification date. For vested awards, the Group recognizes incremental compensation cost in the period the modification occurs. For unvested awards, the Group recognizes over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date. If the fair value of the modified award is lower than the fair value of the original award immediately before modification, the minimum compensation cost the Group recognizes is the cost of the original award.

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 accounts for forfeitures as they occur. The Group, with the assistance of an independent valuation firm, determined the fair value of the stock options granted to employees. The binomial option pricing model and Monte Carlo simulation model were applied in determining the estimated fair value of the options granted to employees.

RISE EDUCATION CAYMAN LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)***Income taxes***

The Group accounts for income taxes under ASC 740, “Income Taxes” (“ASC 740”). ASC 740 requires the recognition of deferred tax assets and liabilities for both the expected impact of differences between the financial statement and tax basis of assets and liabilities and for the expected future tax benefit to be derived from tax loss and tax credit carry forwards. ASC 740 additionally requires a valuation allowance to be established when it is more likely than not that all or a portion of deferred tax assets will not be realized.

ASC 740 also clarifies the accounting for uncertainty in income taxes recognized in an enterprise’s consolidated financial statements and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more likely than not to be sustained upon examination by taxing authorities. The Group recognizes accrued interest and penalties related to unrecognized tax benefits as income tax expense. There were no unrecognized tax benefits and no amounts accrued for interest and penalties as of December 31, 2020 and 2021. The Company is currently not aware of any issues under review that could result in significant payments, accruals or material deviation from its position.

The Group is considered exempted Cayman Islands Companies and is presently not subject to income taxes or income tax filing requirements in the Cayman Islands or the United States.

Government subsidies- Discontinued Operations

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.

Employee benefit expenses- Discontinued Operations

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.

Comprehensive income/(loss)

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.

RISE EDUCATION CAYMAN LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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2. SIGNIFICANT ACCOUNTING POLICIES (Continued)***Treasury shares***

In November 2018, the Board of Directors approved a share repurchase plan (“2018 repurchase plan”). The Company accounts for treasury shares using the cost method. Under this method, the cost incurred to purchase the shares is initially recorded in the “Treasury Shares” line item in the consolidated balance sheets. Upon retirement, the ordinary shares account will be debited only for the aggregate par value of the retired shares, and the excess of the acquisition cost of treasury shares over the aggregate par value is allocated to the additional paid-in capital. As of December 31, 2019, all treasury shares were fully retired.

Recent accounting pronouncements

In December 2019, the FASB issued ASU 2019-12, “*Income Tax (Topic 740): Simplifying the Accounting for Income Taxes*”. This guidance removes certain exceptions to the general principles of ASC 740 and simplifies several other areas. For public business entities, the guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Group adopted this ASU in the first quarter of 2021 and has identified no material effect on its financial statements or disclosures.

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in this ASU provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. LIBOR is expected to be phased out by 2021. The amendments in this ASU are effective as of March 12, 2020 through December 31, 2022. The Group is currently evaluating the effect of this ASU on its financial statements and related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity (ASU 2020-06), which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. The amendments are effective for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years, with early adoption permitted. The Group is currently evaluating the impact of the new guidance on our consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-10, Codification Improvements. The amendments in this ASU improve the consistency of the codification and reorganize the guidance into appropriate sections providing less opportunities for disclosures to be missed. The amendments in this update do not change GAAP and are not expected to result in a significant change in practice. The amendments in this ASU are effective for fiscal years beginning after December 15, 2020. The Group adopted this ASU in the first quarter of 2021 and has identified no effect on its financial statements or disclosures.

In January 2021, the FASB issued ASU No. 2021-01, Reference Rate Reform (Topic 848). The amendments in this ASU clarify the scope of ASC 848 to include derivatives that are affected by a change in the interest rate used for discounting, margining, or contract price alignment that do not also reference LIBOR or another reference rate that is expected to be discontinued as a result of reference rate reform. Similar to ASU 2020-04, the guidance is effective for all entities immediately upon issuance on January 7, 2021. The Group adopted this ASU in the first quarter of 2021 and has identified no effect on its financial statements or disclosures.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent accounting pronouncements (Continued)

In May 2021, the FASB issued ASU No. 2021-04, Earnings Per Share (Topic 260), Debt — Modifications and Extinguishments (Subtopic 470-50), Compensation — Stock Compensation (Topic 718), and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40) to clarify and reduce diversity in an issuer’s accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after modification or exchange. The amendments in this update are effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the amendments prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The Group is currently evaluating the impact of the new guidance on our consolidated financial statements.

In October 2021, the FASB issued ASU No. 2021-08, Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The amendments in this ASU improve the accounting for acquired revenue contracts with customers in a business combination by addressing diversity in practice and inconsistency related to recognition of an acquired contract liability, and payment terms and their effect on subsequent revenue recognized by the acquirer. The amendments in this ASU are effective for fiscal years beginning after December 15, 2023, including the interim periods within those fiscal years. The Group is currently evaluating the effect of this ASU on its financial statements and related disclosures.

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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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3. DISCONTINUED OPERATIONS

The Company has sold (i) all of the equity interests in Rise (Tianjin) Education Information Consulting Co., Ltd. to Wuhan Xinsili Culture Development Co., Ltd. on December 28, 2021; and (ii) all of the equity interests in RISE Education International Limited and Rise IP (Cayman) Limited to Bain Capital Rise Education IV Cayman Limited on December 30, 2021. Upon completion of the Sale, the Company has, through its subsidiaries, sold substantially all its assets. See Note 1.

As refer to Note 2 – Principles of consolidation, in connection with the Sale, the Group evaluated and concluded that the subsidiaries in the Sale list should be accounted as discontinued operations during the year ended and as of December 31, 2021.

During the year ended December 31, 2021, prior to the Sale mentioned above, details of the Company’s principal subsidiaries, the VIE and the VIE’s subsidiaries and schools in the Sale list 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 IP (Cayman) Limited (“Rise IP”)	24-Jul-13	Cayman Islands	100%	Educational consulting
Edge Franchising Co., Limited (“Edge Franchising”)	16-Mar-16	Hong Kong	100%	Educational consulting
Rise Education International Limited (“Rise HK”)	24-Jun-13	Hong Kong	100%	Educational consulting
Edge Online Co., Limited	1-Apr-18	Hong Kong	100%	Educational consulting
Rise (Tianjin) Education Information Consulting Co., Ltd. (“Rise Tianjin” or “WFOE”)	12-Aug-13	PRC	100%	Educational consulting, Sale of course materials, study tour service
VIE:				
Beijing Step Ahead Education Technology Development Co., Ltd.	2-Jan-08	PRC	—	Educational consulting
VIE’s subsidiaries and schools:				
Beijing Haidian District Step Ahead Training School	18-Sep-08	PRC	—	Language education
Beijing Shijingshan District Step Ahead Training School	14-Jul-09	PRC	—	Language education
Beijing Changping District Step Ahead Training School	3-Jul-09	PRC	—	Language education
Beijing Chaoyang District Step Ahead Training School	20-Jul-09	PRC	—	Language education
Beijing Xicheng District RISE Immersion Subject English Training School	5-Feb-10	PRC	—	Language education
Beijing Dongcheng District RISE Immersion Subject English Training School	30-Jul-10	PRC	—	Language education
Beijing Tongzhou District RISE Immersion Subject English Training School	19-Apr-11	PRC	—	Language education
Beijing Daxing District RISE Immersion Subject English Training School	31-Mar-13	PRC	—	Language education
Beijing Fengtai District RISE Immersion Subject English Training School	28-Feb-12	PRC	—	Language education

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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3. DISCONTINUED OPERATIONS (Continued)

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the company	Principal activity
Beijing RISE Immersion Subject English Training School Co., Ltd.	26-Oct-18	PRC	—	Language education
Beijing Step Ahead Rise Education Technology Co., Ltd.	11-Dec-19	PRC	—	Language education
Beijing Huairou Ruida Education Training School	19-Jan-18	PRC	—	Language education
Shanghai Boyu Investment Management Co., Ltd.	29-Jan-12	PRC	—	Language education
Shanghai Riverdeep Education Information Consulting Co., Ltd.	8-Mar-10	PRC	—	Educational consulting services
Shanghai Ruiaidisi English Training School Co., Ltd.	5-Aug-19	PRC	—	Language education
Kunshan Ruiaidisi Education Technology Co., Ltd.	30-Jul-19	PRC	—	Language education
Guangzhou Ruisi Education Technology Development Co., Ltd.	17-Aug-12	PRC	—	Training services
Guangzhou Yuexiu District RISE Immersion Subject English Training School	29-Apr-14	PRC	—	Language education
Guangzhou Haizhu District RISE Immersion Subject English Training School-Chigang	8-Dec-14	PRC	—	Language education
Guangzhou Tianhe District RISE Immersion Subject English Training School	11-Jul-17	PRC	—	Language education
Guangzhou Liwan District Rise Education Training Center Co., Ltd.	25-Nov-19	PRC	—	Language education
Guangzhou Tianhe District Ruisi Education Consulting Co., Ltd.	11-Jul-17	PRC	—	Language education
Foshan Nanhai District Step Ahead Education Consulting Co., Ltd.	21-Jan-20	PRC	—	Language education
Shenzhen Mei Ruisi Education Management Co., Ltd.	28-Feb-14	PRC	—	Training services
Shenzhen Futian District Rise Training Center	8-Jan-15	PRC	—	Language education
Shenzhen Nanshan District Rise Training Center	26-May-15	PRC	—	Language education
Shenzhen Luohu District Rise Education Training Center	3-Aug-17	PRC	—	Language education
Shenzhen Longhua District Minzhi Rise Training Center	27-May-20	PRC	—	Language education

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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3. DISCONTINUED OPERATIONS (Continued)

Name	Date of establishment	Place of establishment	Percentage of equity interest attributable to the company	Principal activity
Wuxi Rise Foreign Language Training Co., Ltd.	5-Jun-13	PRC	—	Training services
Wuxi Ruiying English Training Center Co., Ltd.	10-Jun-19	PRC	—	Language education
Ruisixing (Tianjin) Travel Services Co., Ltd.	3-Jul-18	PRC	—	Traveling services
Hebei Camphor Tree Information Technology Co., Ltd.	5-Nov-15	PRC	—	Investment holding
Shijiazhuang Forest Rock Education Technology Co., Ltd.	28-Aug-18	PRC	—	Investment holding
Shijiazhuang Xinhua District Oriental Red American Education Training School	14-Nov-19	PRC	—	Language education
Shijiazhuang Xinhua District Zhuoshuo Training School Co., Ltd.	13-Dec-19	PRC	—	Language education
Shijiazhuang Yuhua District Ai Ruisi Education Training School	1-Feb-19	PRC	—	Language education
Shijiazhuang Yuhua District Oriental Red Education Training School	1-Feb-19	PRC	—	Language education
Shijiazhuang Chang'an District Jinshuo Culture Education Training School Co., Ltd.	1-Apr-19	PRC	—	Language education
Shijiazhuang Qiaoxi District Deshuo Training School Co., Ltd.	27-Aug-20	PRC	—	Language education
Shijiazhuang Yuhua District Boshuo Training School Co., Ltd.	2-Jan-20	PRC	—	Language education

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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3. DISCONTINUED OPERATIONS (Continued)

The following tables set forth the assets, liabilities, results of operations and cash flows of discontinued operations, that were included in the Group’s consolidated financial statements (in thousands):

	<u>As at December 31, 2020</u>
	<u>RMB</u>
ASSETS	
Current assets:	
Cash and cash equivalents	549,486
Restricted cash	79,320
Accounts receivable, net	2,281
Amounts due from related parties	552
Inventories	7,814
Prepayments and other current assets	90,047
Total current assets of discontinued operations	729,500
Non-current assets:	
Property and equipment, net	107,537
Intangible assets, net	185,647
Long-term investment	—
Goodwill	659,255
Deferred tax assets, net	34,241
Other non-current assets	55,853
Operating lease right-of-use assets	639,304
Total non-current assets of discontinued operations	1,681,837
Total assets belong to discontinued operations	2,411,337
LIABILITIES AND SHAREHOLDERS’ EQUITY	
Current liabilities (including current liabilities of the variable interest entity (“VIE”) without recourse to the Company amounting to RMB882,038 (US\$135,178) as of December 31, 2020):	
Accounts payable	11,028
Accrued expenses and other current liabilities	162,724
Deferred revenue and customer advances	563,736
Income taxes payable	5,556
Current portion of operating lease liabilities	197,098
Total current liabilities of discontinued operations	940,142
Non-current liabilities (including non-current liabilities of the VIE without recourse to the Company amounting to RMB499,092 (US\$76,489) as of December 31, 2020):	
Deferred revenue and customer advances	38,204
Operating lease liabilities	452,485
Deferred tax liabilities, net	24,011
Other non-current liabilities	50,447
Total non-current liabilities of discontinued operations	565,147
Total liabilities of discontinued operations	1,505,289

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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3. DISCONTINUED OPERATIONS (Continued)

	2019	2020	2021
	RMB	RMB	RMB
Revenues	1,529,447	958,467	890,386
Cost of revenues	(694,693)	(602,934)	(596,412)
Gross profit	834,754	355,533	293,974
Operating expenses:			
Selling and marketing	(307,339)	(233,687)	(191,816)
General and administrative	(289,351)	(242,633)	(417,381)
Research and development expenses	—	—	—
Total operating expenses	(596,690)	(476,320)	(609,197)
Operating income/(loss)	238,064	(120,787)	(315,223)
Interest income	17,872	15,078	8,640
Interest expense	(34,093)	(23,611)	(16,823)
Foreign currency exchange gain/(loss)	(1,506)	(187)	1,627
Other income, net	10,115	26,961	(78,908)
Impairment loss of long-term investment	—	(37,000)	—
Income/(loss) before income tax expense	230,452	(139,546)	(400,687)
Loss on sale of discontinued operations	—	—	(97,777)
Income tax (expense)/benefit	(70,697)	15,695	(8,816)
Net income/(loss) from discontinued operations	159,755	(123,851)	(507,280)
Net cash (used in) discontinued operating activities	(19,696)	(187,127)	(509,825)
Net cash (used in) discontinued investing activities	(114,716)	(111,782)	(53,535)
Net cash (used in) discontinued financing activities	—	—	(23,308)

RISE EDUCATION CAYMAN LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
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4. CONCENTRATION OF RISKS***Concentration of credit risk***

Financial instruments that potentially subject the Group to significant concentration of credit risk consist primarily of cash and cash equivalents, and restricted cash. As of December 31, 2021, substantially all of the Group’s cash and cash equivalents, and restricted cash were deposited with financial institutions with high-credit ratings and quality.

PRC state-owned banks, such as Bank of China, are subject to a series of risk control regulatory standards, and PRC bank regulatory authorities are empowered to take over the operation and management when any of those banks faces a material credit crisis. The Group does not foresee substantial credit risk with respect to cash and cash equivalents, restricted cash and short-term investments held at the PRC state-owned banks. Meanwhile, China does not have an official deposit insurance program, nor does it have an agency similar to what was the Federal Deposit Insurance Corporation (FDIC) in the U.S. In the event of bankruptcy of one of the financial institutions in which the Group has deposits or investments, it may be unlikely to claim its deposits or investments back in full. The Group selected reputable international financial institutions with high rating rates to place its foreign currencies. The Group regularly monitors the rating of the international financial institutions to avoid any potential defaults. There has been no recent history of default in relation to these financial institutions.

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 US\$, there was appreciation of 1.3%, depreciation of 6.3% and 1.4% during the years ended December 31, 2019, 2020 and 2021. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the US\$ in the future.

To the extent that the Group needs to convert US\$ into RMB for capital expenditures and working capital and other business purposes, appreciation of RMB against US\$ would have an adverse effect on the RMB amount the Group would receive from the conversion. Conversely, if the Group decides to convert RMB into US\$ for the purpose of making payments for dividends on ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of US\$ against RMB would have a negative effect on the US\$ amount available to the Group. In addition, a significant depreciation of the RMB against the US\$ may significantly reduce the US\$ equivalent of the Group’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 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 US\$ 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 RMB16,027 (US\$2,515) as of December 31, 2021.

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5. BUSINESS COMBINATION

Shijiazhuang

On July 1, 2019, the Group acquired a 51% equity interest in 7 learning centers in Shijiazhuang certain fixed assets, student contracts and key employees of the educational consulting business from a franchisee of the Group. The acquisition is expected to complement the Group’s existing business and achieve significant synergies.

Total consideration was RMB44,061 in cash, which was fully paid as of December 31, 2020.

The Group has completed the valuations necessary to assess the fair values of the tangible and intangible assets acquired and liabilities assumed, resulting from which the amount of goodwill was determined and recognized as of the acquisition date. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of July 1, 2019, the date of acquisition:

	RMB
Purchase consideration	44,061
Net assets acquired, excluding intangible assets and the related deferred tax liabilities	(83,813)
Intangible assets	15,800
Student base	15,800
Deferred tax liabilities	(4,742)
Non-controlling interest	(33,866)
Goodwill	150,682

The non-controlling interests on acquisition date was measured by applying the equity percentage held by minority shareholders and a discount for lack of control premium to the fair value of the acquired business of Shijiazhuang, which was determined using an income approach. The significant inputs were revenue growth rates, gross margin rates, weighted-average cost of capital, discount rate and terminal values.

Goodwill recognized on the acquisition date is the expected synergies from combining operations of Shijiazhuang and the Group, which does not qualify for separate recognition. None of the goodwill recognized is expected to be deductible for income tax purposes.

The Group recognized RMB83 and RMB347 of acquisition related costs which were included in general and administrative expenses for the years ended December 31, 2019 and 2020, respectively.

The information of pro forma revenue and net loss for the year ended December 31, 2018 is not available and the cost to develop it would be excessive. The unaudited pro forma information for the year ended December 31, 2019 set forth below gives effect to the acquisition as if it had occurred at the beginning of the period. The pro forma results have been calculated after applying the Group’s accounting policies and including adjustments primarily related to the amortization of acquired intangible assets, and income tax effects, as applicable. The pro forma information does not include any impact of transaction synergies and is presented for informational purposes only and is not necessarily indicative of the results of operations that actually would have been occurred had the acquisition been consummated as of that time or that may result in the future:

	For the year ended December 31, 2019	
	pro forma (unaudited)	As reported
	RMB	RMB
Revenues	1,555,302	1,529,447
Net income	152,669	148,100

In December 2021, the Group sold all of its investment in Shijiazhuang, and the disposal of Shijiazhuang was qualified for reporting as a “discontinued operation”. See Note 3.

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5. BUSINESS COMBINATION (Continued)

Changping

On November 1, 2019, the Group acquired certain fixed assets, intellectual properties, material contracts and key employees of a franchised learning center in Changping (“Changping”) from a franchisee of the Group for a total cash consideration of RMB12,669, of which RMB1,050 was unpaid as of December 31, 2020.

Identifiable intangible assets acquired include student base of RMB4,500. Goodwill recognized on the acquisition date is not tax deductible and amounted to RMB18,986; and represents the expected synergies from combining the operations of Changping and the Group, which does not qualify for separate recognition.

The actual results of operation after the acquisition date and pro-forma results of operations for this acquisition have not been presented because the effects of this acquisition were insignificant.

In December 2021, the Group sold all of its investment in Changping, and the disposal of Changping was qualified for reporting as a “discontinued operation”. See Note 3.

Huairou

On July 1, 2020, the Group acquired certain fixed assets, intellectual properties, material contracts and key employees of a franchised learning center in Huairou (“Huairou”) from a franchisee of the Group for a total cash consideration of RMB8,075, of which RMB700 was unpaid as of December 31, 2020.

Identifiable intangible assets acquired include student base of RMB3,000. Goodwill recognized on the acquisition date is not tax deductible and amounted to RMB11,956; and represents the expected synergies from combining the operations of Huairou and the Group, which does not qualify for separate recognition.

The actual results of operation after the acquisition date and pro-forma results of operations for this acquisition have not been presented because the effects of this acquisition were insignificant.

In December 2021, the Group sold all of its investment in Huairou, and the disposal of Huairou was qualified for reporting as a “discontinued operation”. See Note 3.

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6. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets consisted of the following:

	As at December 31,		
	2020 RMB	2021 RMB	2021 US\$
Prepayments to suppliers	4,365	14,311	2,246
Deposits	144	140	22
	4,509	14,451	2,268

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other liabilities consisted of the following:

	As at December 31,		
	2020 RMB	2021 RMB	2021 US\$
Accrued other operating expenses	1,469	7,889	1,238
Others	—	736	115
	1,469	8,625	1,353

8. TROUBLED DEBT RESTRUCTURING

On March 18, 2021, the Group entered into a Facility agreement with CTBC Bank Co., Ltd. for an aggregate amount of US\$80,000 consisting of a five-year term loan facility of US\$65,000 and a revolving credit facility of US\$15,000. The Facility was used to repay its existing loans for amount of US\$65,000 as of March 18, 2021. The repayment schedule of the five-year term loan facility is listed as the following:

	US\$
March 18, 2022	3,250
March 18, 2023	8,125
March 18, 2024	11,375
March 18, 2025	16,250
March 18, 2026	26,000
	65,000

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 consisting of the DSRA and Domestic CTBC accounts.

The Group concluded that the modification on March 18, 2021 would be considered a troubled debt restructuring pursuant to ASC470-60. As the future undiscounted cash flows is greater than the net carrying value of the original debt, no gain is recognized.

On December 1, 2021, the Group entered into a settlement agreement (the “Settlement”) with CTBC Bank Co., Ltd. (See Note 1). The Group evaluated the settlement in accordance with ASC 470, and determined the settlement is considered a troubled debt restructuring and an extinguishment of the existing debt. As a result of the settlement, the Group recognized a gain on troubled debt restructuring of RMB279,097 for the year ended December 31, 2021.

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9. RELATED PARTY TRANSACTIONS

a) Related parties

The direct controlling shareholder

Bain Capital Education IV

Entities controlled by the ultimate holding company

Lionbridge Limited (“Lionbridge”)

Bain Capital Advisors (China) Ltd. (“Bain Advisors”)

Investee

New York City Kids Club.(“NYC”)

Significant influence exercised by management of the Company

Wuhan Xinsili Culture Development Co., Ltd.

b) During the years ended December 31, 2019, 2020 and 2021, the Group had the following related party transactions:

	Notes	For the years ended December 31,			
		2019 RMB	2020 RMB	2021 RMB	2021 US\$
Bain Capital Education IV	(i)	—	—	108,334	17,000
Bain Capital Education IV		—	—	15,932	2,500
Wuhan Xinsili Culture Development Co., Ltd.	(ii)	—	—	—	—

- (i) The Company entered into a convertible loan deed with the Bain Capital Education IV (the “Shareholder”) on December 1, 2021 (the “Convertible Loan Deed”), pursuant to which the Shareholder will provide an interest-free convertible loan of US\$17,000 to the Company for the period ended June 30, 2023, convertible into ordinary shares of the Company at US\$0.35 per share, or US\$0.70 per ADS. If the Company fails to pay any amount payable under this Deed on its due date, interest shall accrue on such amount from the due date at a rate two percent. The Group determined the appropriate accounting treatment of its convertible debt in accordance with the terms in relation to the conversion feature. After considering the impact of such features, the Group may account for such instrument as a liability in its entirety, or separate the instrument into debt and equity components following the respective guidance described under ASC 815 Derivatives and Hedging and ASC 470 Debt. The Group evaluated the equity components immaterial, and accounted for the convertible loan as a non-current liability as of December 31, 2021

The loan transactions for the year ended December 31, 2021 with details set forth below:

Year ended December 31, 2021	Principal	Interest Rate	Period
Loan granted			
Convertible loan	108,334	—	December 1, 2021 to June 30, 2023

- (ii) The CEO of the Company, Ms. Lihong Wang is the chairman of Wuhan Xinsili Culture Development Co., Ltd. As refer to Note 1, pursuant to the WFOE Purchase Agreement, the Company has agreed to, through Rise HK, sell all of the equity interests in WFOE to Wuhan Xinsili Culture Development Co., Ltd., in consideration of the Buyer SPV (i) paying to Rise HK a nominal consideration, and (ii) assuming all liabilities of WFOE and its subsidiaries.

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9. RELATED PARTY TRANSACTIONS (Continued)

c) The balances between the Group and its related parties as of December 31, 2020 and 2021 are listed below:

Amounts due from a related party

	As at December 31,		
	2020 RMB	2021 RMB	2021 US\$
Bain Capital Education IV	181	177	28

Convertible loan from a related party

	As at December 31,		
	2020 RMB	2021 RMB	2021 US\$
Bain Capital Education IV	—	108,334	17,000

Amount due to related party is the balance of convertible loan with zero interest rate as of December 31, 2021.

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10. INCOME/(LOSS) PER SHARE

Basic and diluted income/(loss) per share and per ADS for each of the years presented are calculated as follows:

	For the years ended December 31,			
	2019	2020	2021	2021
	RMB	RMB	RMB	USD
Numerator:				
Net income/(loss) from continuing operations attributable to RISE Education Cayman Ltd	(15,195)	(17,593)	249,096	39,088
Net income/(loss) from discontinued operations attributable to RISE Education Cayman Ltd	163,295	(114,840)	(497,583)	(78,081)
Net income/(loss) attributable to RISE Education Cayman Ltd	148,100	(132,433)	(248,487)	(38,993)
Denominator:				
Weighted average number of ordinary shares outstanding-basic	113,187,721	112,813,031	112,868,532	112,868,532
Weighted average number of ordinary shares outstanding-diluted	114,464,108	112,813,031	112,868,532	112,868,532
Net income/(loss) per share - Basic:				
Continuing operations	(0.13)	(0.15)	2.21	0.35
Discontinued operations	1.44	(1.02)	(4.41)	(0.69)
Total net income/(loss) per share - Basic	1.31	(1.17)	(2.20)	(0.34)
Net income/(loss) per share - Diluted:				
Continuing operations	(0.13)	(0.15)	2.21	0.35
Discontinued operations	1.42	(1.02)	(4.41)	(0.69)
Total net income/(loss) per share - Diluted	1.29	(1.17)	(2.20)	(0.34)
Net income/(loss) per ADS - Basic:				
Continuing operations	(0.26)	(0.31)	4.42	0.70
Discontinued operations	2.88	(2.04)	(8.82)	(1.38)
Total net income/(loss) per ADS - Basic	2.62	(2.35)	(4.40)	(0.68)
Net income/(loss) per ADS - Diluted:				
Continuing operations	(0.25)	(0.31)	4.42	0.70
Discontinued operations	2.84	(2.04)	(8.82)	(1.38)
Total net income/(loss) per ADS - Diluted	2.59	(2.35)	(4.40)	(0.68)

Nil, 953,168 and 4,047,619 share options were excluded from the computation of diluted income per share for the year ended December 31, 2019, 2020 and 2021, respectively, because their effects would be anti-dilutive.

RISE EDUCATION CAYMAN LTD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)**

11. SHARE- BASED PAYMENTS**2016 Equity Incentive Plan**

In 2016, the Board of Directors approved the Equity Option Plan (the “2016 Equity Incentive Plan”), which has a term of 10 years and is administrated by the Board of Directors. Under 2016 Equity Incentive 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 “2016 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 “2016 Market Options”). Both the Service Options and Market Options (collectively, the “2016 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 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. Upon the occurrence of the exercisability event (the IPO completion date), the Company immediately recognized expenses associated with options that were vested as of the IPO completion date amounting to RMB90,335. In addition, the Company also will recognize the remaining compensation expenses over the remaining service requisite period using the accelerated method.

Modification of options

In November 2017 (“2017 Modification Date”), the Board of Directors modified share options granted to six directors and officers to be fully vested on the 2017 Modification Date. On the 2017 Modification Date, the Company recognized compensation expenses amounting to RMB2,329 (US\$358) associated with the fully vested share options. The fair value of the share options immediately after the modification was the same as that immediately before the modification and therefore, the Company did not recognize any incremental compensation costs related to such modification.

In 2018, the vesting of 432,500 options granted to seven employees was accelerated, and 50,000 options of one employee was cancelled and replaced with cash rewards (which was an isolated non-recurring event). As of the respective modification dates in December 2018, the original performance condition of the 2016 Options was not expected to be satisfied, therefore, the modification-date fair value of the grantees’ respective 2016 Options instead of the original grant-date fair value was used to measure the modified 2016 Options. In 2019, the vesting of 309,000 options granted to four employees was accelerated. As of the respective modification dates in December 2019, the original performance condition of the 2016 Options was not expected to be satisfied, therefore, the modification-date fair value of the grantees’ respective 2016 Options instead of the original grant-date fair value was used to measure the modified 2016 Options.

In December 2021 (“2021 Modification Date”), the Board of Directors modified the exercise price of Options to \$0.25 per share, and such Options shall be exercised on or prior to December 31, 2022. There were no unvested options until 2021 Modification Date.

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

A summary of the equity award activity under 2016 Equity Incentive Plan is stated below:

	<u>Number of options</u>	<u>Weighted– average exercise price US\$</u>	<u>Weighted– average grant date fair value</u>	<u>Weighted– average remaining contractual term US\$</u>	<u>Aggregate intrinsic value US\$</u>
Outstanding, December 31, 2020	1,861,474	1.44	N/A	4.61	2,988
Exercised	(50,000)	1.44	N/A	N/A	16
Forfeited/Cancelled	(110,000)	1.44	N/A	N/A	—
Outstanding, December 31, 2021	1,701,474	0.64	N/A	1.00	—
Vested and expected to vest at December 31, 2021	1,701,474	0.64	N/A	1.00	—
Exercisable at December 31, 2021	1,701,474	0.64	N/A	1.00	—

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, 2021 and the option’s respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2019, 2020 and 2021 was RMB9,981, RMB2,380 and RMB104 (US\$16).

There were nil awards were vested for the year ended December 31, 2021. There was nil of total unrecognized share-based compensation expenses.

2017 Share Incentive Plan

In 2017, the Board of Directors approved the Share Incentive Plan (the “2017 Share Incentive Plan”), which has a term of 10 years and is administrated by the Board of Directors. Under 2017 Share Incentive Plan, the Company reserved options to its eligible employees, directors and officers of the Group for the purchase of 5,000,000 of the Company’s ordinary shares in aggregate (excluding shares which have lapsed or have been forfeited).

In April 2019, the Board of Directors approved option grants to employees for the purchase of 4,800,000 of the Company’s ordinary shares. 60% of the options granted will generally vest in four equal installments over a prespecified service period (the “2017 Service Options”) while the remaining 40% of the options will vest based on certain performance conditions (the “2017 Performance Options”).

In May 2021, the Board of Directors approved option grants to employees for the purchase of 850,000 of the Company’s ordinary shares. 60% of the options granted will generally vest in four equal installments over a prespecified service period (the “2017 Service Options”) while the remaining 40% of the options will vest based on certain performance conditions (the “2017 Performance Options”).

Modification of options

On August 12, 2020, considering the outstanding options granted under 2017 Share Incentive Plan was out-of-money, the Board of Directors and compensation committee modified the 2017 Share Incentive Plan (the “Modified 2017 Share Incentive Plan”), pursuant to which the exercise price was adjusted down to US\$1.75 per option, the vesting period was extended to ranging from December 31, 2020 to December 31, 2023, and the performance conditions were replaced with market conditions. 2,550,000 options were modified and the total incremental cost resulted from this modification was RMB9,018 (US\$1,382).

On September 11, 2020, 1,613,506 options were granted to an employee under the Modified 2017 Share Incentive Plan. 60% of the options granted will generally vest in four equal installments on an annual basis with first vesting date on December 31, 2021, and the vesting of the remaining 40% of the options is based on certain market condition.

On December 30, 2021, the Board of Directors modified 2017 Share Incentive Plan, pursuant to which the exercise price was adjusted down to US\$0.25 per share, the exercise period was amended to December 31, 2022, the market conditions were cancelled, and the vesting of 746,552 options granted to 17 employees was accelerated. 1,433,104 options were modified and the total incremental cost resulted from this modification was RMB137(US\$21).

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

A summary of the equity award activity under 2017 Share Incentive Plan and Modified 2017 Share Incentive Plan is stated below:

	<u>Number of options</u>	<u>Weighted- average exercise price US\$</u>	<u>Weighted- average grant date fair value</u>	<u>Weighted- average remaining contractual term US\$</u>	<u>Aggregate intrinsic value US\$</u>
Outstanding, December 31, 2020	3,873,506	1.89	1.76	8.86	4,731
Granted	850,000	1.75	0.63		
Exercised	(23,300)	1.75	3.09		14
Forfeited/Cancelled	(3,030,852)	1.93	1.52		
Outstanding, December 31, 2021	1,669,354	0.46	2.15	1.00	—
Vested and expected to vest at December 31, 2021	1,669,354	0.46	2.15	1.00	—
Exercisable at December 31, 2021	1,669,354	0.46	2.15	1.00	—

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, 2021 and the option’s respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2021 was RMB87 (US\$14).

1,157,328 awards were vested for the year ended December 31, 2021, and the weighted-average grant-date fair value for vested options is US\$2.05. As of December 31, 2021, there was nil of total unrecognized share-based compensation expenses.

2020 Equity Incentive Plan

The Company adopted its 2020 Equity Incentive Plan on August 13, 2020, and the maximum aggregate number of ordinary shares which may be issued pursuant the plan is 4,147,494. 60% of the options granted will generally vest in four equal installments on an annual basis with first vesting dates varying from December 31, 2021 to December 31, 2022, and the remaining 40% of the options will vest based on certain market condition. A summary of the equity award activity under the 2020 Share Incentive Plan is as follows:

Modification of options

In December 2021, the Board of Directors modified 2020 Share Incentive Plan, pursuant to which the exercise price was adjusted down to US\$0.25 per share, the exercise period was amended to December 31, 2022, the market conditions were cancelled, and the vesting of 277,048 options granted to 6 employees was accelerated. 554,096 options were modified and the total incremental cost resulted from this modification was RMB18(US\$3).

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

A summary of the equity award activity under the 2020 Share Incentive Plan is as follows:

	<u>Number of options</u>	<u>Weighted– average exercise price US\$</u>	<u>Weighted– average grant date fair value</u>	<u>Weighted– average remaining contractual term US\$</u>	<u>Aggregate intrinsic value US\$</u>
Outstanding, December 31, 2020	3,645,494	1.75	1.49	9.70	4,721
Exercised	(5,860)	1.75	1.59		3
Forfeited/Cancelled	(2,932,538)	1.75	1.47		
Outstanding, December 31, 2021	707,096	0.57	1.60	1.00	—
Vested and expected to vest at December 31, 2021	707,096	0.57	1.60	1.00	—
Exercisable at December 31, 2021	707,096	0.57	1.60	1.00	—

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, 2021 and the option’s respective exercise price. Total intrinsic value of options exercised for the years ended December 31, 2021 was RMB 21 (US\$3).

514,572 awards were vested for the year ended December 31, 2021, and the weighted-average grant-date fair value for vested options is US\$1.60. As of December 31, 2021, there was nil of total unrecognized share-based compensation expenses.

RISE EDUCATION CAYMAN LTD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

The fair value of awards granted or modified under 2016 Equity Incentive Plan, 2017 Share Incentive Plan, modified 2017 Share Incentive Plan and 2020 Equity Incentive Plan were determined using the binomial option valuation model and Monte Carlo simulation model, respectively, with the assistance from an independent 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 value of the ordinary shares, was determined with the assistance of an independent third-party appraiser. Subsequent to the IPO, fair value of the ordinary shares is the price of the Company’s publicly traded shares. 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 awards granted or modified under 2016 Equity Incentive Plan, 2017 Share Incentive Plan, modified 2017 Share Incentive Plan and 2020 Equity Incentive Plan are as follows:

	2016 Equity Incentive Plan		
	For the years ended December 31,		
	2019	2020	2021
Risk-free interest rate	2.41%-3.34%	N/A	N/A
Expected volatility range	53.70%-55.20%	N/A	N/A
Suboptimal exercise factor	2.80	N/A	N/A
Fair value per ordinary share as at valuation date	US\$4.11~US\$5.37	N/A	N/A

	2017 Share Incentive Plan and Modified 2017 Share Incentive Plan		
	For the years ended December 31,		
	2019	2020	2021
Risk-free interest rate	3.29%	1.65%~1.69%	1.00%~2.30%
Expected volatility range	54.80%	55.10%~55.80%	57.00%~114.50%
Suboptimal exercise factor	2.80	2.80	2.80
Fair value per ordinary share as at valuation date	US\$4.94	US\$1.99~US\$2.69	US\$0.25~US\$1.60

	2020 Share Incentive Plan and Modified 2020 Share Incentive Plan		
	For the years ended December 31,		
	2019	2020	2021
Risk-free interest rate	N/A	1.69%~1.86%	1.00%
Expected volatility range	N/A	55.10%~55.80%	114.50%
Suboptimal exercise factor	N/A	2.80	2.80
Fair value per ordinary share as at valuation date	N/A	US\$2.52~US\$2.69	US\$0.25

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”)
except share and ADS data and per share and per ADS data)

11. SHARE-BASED PAYMENTS (Continued)

All of the share-based compensation is recognized in the discontinued operations. Total cost of the share-based payments is summarized as follows

	For the years ended December 31,			
	2019 RMB	2020 RMB	2021 RMB	2021 USD
Cost of revenues	2,617	1,821	(895)	(141)
Selling and marketing expenses	1,016	1,497	(1,124)	(176)
General and administrative expenses	44,256	14,681	11,556	1,813
Total	47,889	17,999	9,537	1,496

RISE EDUCATION CAYMAN LTD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in thousands of Renminbi (“RMB”) and US dollars (“US\$”))
except share and ADS data and per share and per ADS data)

12. ACCUMULATED OTHER COMPREHENSIVE INCOME

	<u>Foreign currency translation adjustments</u>
	<u>RMB</u>
Balance as of January 1, 2019	42,459
Foreign currency translation adjustments, net of tax of nil	(1,542)
Balance as of December 31, 2019	40,917
Foreign currency translation adjustments, net of tax of nil	(1,275)
Balance as of December 31, 2020	39,642
Foreign currency translation adjustments, net of tax of nil	(6,635)
Balance as of December 31, 2021	33,007
	<u>US\$</u>
Balance as of December 31, 2021	5,181

There have been no reclassifications out of accumulated other comprehensive income to net income for the periods presented.

13. CONTINGENCIES

Contingencies

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.

14. SUBSEQUENT EVENT

Delisting

On January 11, 2022, the Company was notified by the Nasdaq Listing Qualifications Staff (“Staff”) that the Staff had determined to delist the Company’s securities unless the Company timely requested a hearing before a Nasdaq Hearings Panel (the “Panel”). The Staff’s determination was based upon its conclusion that the Company is a “public shell” as that term is defined in Nasdaq Listing Rule 5101 as the result of the Company’s sale of substantially all of its assets on December 30, 2021. On February 17, 2022, the Company’s CEO and CFO attended along with its outside counsel, Kirkland & Ellis LLP, and Donohoe Advisory Associates LLC. Drew Chen of Bain Capital Asia (“Bain”) attended the hearing. The Company advised that, it began exploring strategic alternatives, including business combinations. On February 8, 2022, the Company executed a definitive agreement with NaaS for an all-share merger. Finally, the Panel has determined to grant the Company’s request for an exception until June 30, 2022, to allow it to complete a business combination with NaaS and evidence compliance with all initial listing standards of The Nasdaq Stock Market.

Plan of Merger

On February 8, 2022, the Company and Data Auto Inc. (“NaaS”), a leading operation and technology provider serving China’s electric vehicle charging market, executed a definitive Agreement and Plan of Merger (the “Merger Agreement”), pursuant to which the shareholders of NaaS will exchange all of the issued and outstanding share capital of NaaS for newly issued shares of the Company on the terms and conditions set forth therein in a transaction exempt from the registration requirements under the Securities Act of 1933 (the “Transaction”). Upon consummation of the Transaction, NaaS will become a wholly-owned subsidiary of the Company. On April 29, 2022, the Company’s extraordinary general meeting of shareholders (the “EGM”) was held. At the EGM, shareholders approved, through a special resolution, the transactions contemplated in the Merger Agreement.

Amendment on convertible loan maturity date

On March 28, 2022, the Company signed an amendment agreement of RMB108,334 (US\$17,000) convertible loan with Bain Capital Education IV to extend the maturity date to June 30, 2023. As the amendment was made before the issuance of the consolidated financial statements for the year ended December 31, 2021, the convertible loan was presented as non-current liabilities in the consolidated balance sheet as of December 31, 2021.

Certification by the Chief Executive Officer
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934,
as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Lihong Wang, certify that:

1. I have reviewed this annual report on Form 20-F of RISE Education Cayman Ltd (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: May 13, 2022

By: /s/ Lihong Wang
Name: Lihong Wang
Title: Chief Executive Officer

Certification by the Chief Financial Officer
Pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934,
as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Alex Wu, certify that:

1. I have reviewed this annual report on Form 20-F of RISE Education Cayman Ltd (the “Company”);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;
4. The Company’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15 (f) and 15d-15(f)) for the Company and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Company’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the Company’s internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting; and
5. The Company’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company’s auditors and the audit committee of the Company’s board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.

Date: May 13, 2022

By: /s/ Alex Wu
Name: Alex Wu
Title: Acting Chief Financial Officer

Certification by the Chief Executive Officer
Pursuant to 18 U.S.C. Section 1350, as adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of RISE Education Cayman Ltd (the “Company”) on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Lihong Wang, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2021

By: /s/ Lihong Wang
Name: Lihong Wang
Title: Chief Executive Officer

Certification by the Chief Financial Officer
Pursuant to 18 U.S.C. Section 1350, as adopted
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of RISE Education Cayman Ltd (the “Company”) on Form 20-F for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Alex Wu, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2022

By: /s/ Alex Wu
Name: Alex Wu
Title: Acting Chief Financial Officer

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statements on Forms S-8 (No. 333-222775, and 333-248729) of RISE Education Cayman Ltd and its subsidiaries of our report dated May 13, 2022, with respect to the consolidated financial statements of RISE Education Cayman Ltd and its subsidiaries for the year ended December 31, 2021, which appears in this Form 20-F.

/s/ BDO China Shu Lun Pan Certified Public Accountants LLP
Beijing, the People's Republic of China
May 13, 2022

May 13, 2022

Securities and Exchange Commission

100 F Street, N.E.

Washington, DC 20549

Ladies and Gentlemen:

We have read Item 16F of Form 20-F dated May 13, 2022 of RISE Education Cayman Ltd and are in agreement with the statements contained in the first to fourth paragraphs with reference to us therein. We have no basis to agree or disagree with other statements of the registrant contained therein.

/s/ Ernst & Young Hua Ming LLP

Beijing, the People's Republic of China



Our ref KKZ/687390-000005/23729440v1

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

13 May 2022

Dear Sir and/or Madam

RISE Education Cayman Ltd

We have acted as legal advisers as to the laws of the Cayman Islands to RISE Education Cayman Ltd, an exempted limited liability company incorporated in the Cayman Islands (the “**Company**”), in connection with the filing by the Company with the United States Securities and Exchange Commission (the “**SEC**”) of an annual report on Form 20-F for the year ended 31 December 2021 (the “**Annual Report**”).

We hereby consent to the reference to our firm under the heading “Item 10. Additional Information—E. Taxation—Cayman Islands Tax Considerations” in the Annual Report, and we further consent to the incorporation by reference of the summary of our opinions under these headings into the Company’s registration statement on Form S-8 (File No. 333-222775) that was filed on 30 January 2018, pertaining to the Company’s 2016 Equity Incentive Plan filed as Exhibit 10.1 to the Company’s registration statement on Form F-1, as amended (File No. 333-220587) filed with the SEC and 2017 Share Incentive Plan filed as Exhibit 10.2 to the Company’s registration statement on Form F-1, as amended (File No. 333-220587) filed with the SEC and the Company’s registration statement on Form S-8 (File No. 333-248729) that was filed on 11 September 2020, pertaining to the Company’s 2020 Equity Incentive Plan filed as Exhibit 10.1 to such registration statement.

We consent to the filing with the SEC of this consent letter as an exhibit to the Annual Report. In giving such consent, we do not thereby admit that we come within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, or under the Securities Exchange Act of 1934, in each case, as amended, or the regulations promulgated thereunder.

Yours faithfully

/s/ Maples and Calder (Hong Kong) LLP

Maples and Calder (Hong Kong) LLP