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CONFIDENTIAL TREATMENT REQUESTED BY GDS HOLDINGS LIMITED

As confidentially submitted to the Securities and Exchange Commission on August 8, 2016

Registration No. 333-

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form F-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

GDS Holdings Limited

(Exact name of Registrant as specified in its charter)

Cayman Islands (State or Other Jurisdiction of Incorporation or Organization)	7370 (Primary Standard Industrial Classification Code Number)	Not Applicable (I.R.S. Employer Identification Number)
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(Address and Telephone Number of Registrant's Principal Executive Offices)

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

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

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

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

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

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered ⁽¹⁾	Proposed Maximum Aggregate Offering Price ⁽²⁾⁽³⁾	Amount of Registration Fee
Ordinary shares, par value US\$0.00005 per share	US\$	US\$

(1) American depositary shares, or ADSs, issuable upon deposit of the ordinary shares registered hereby will be registered under a separate registration statement on Form F-6 (Registration No. 333-). Each ADS represents ordinary shares.

(2) Includes (a) ordinary shares represented by ADSs that may be purchased by the underwriters pursuant to their over-allotment option and (b) all ordinary shares represented by ADSs initially offered and sold outside the United States that may be resold from time to time in the United States either as part of the distribution or within 40 days after the later of the effective date of this registration statement and the date the securities are first bona fide offered to the public.

(3) Estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

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

The information in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the United States Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to Completion. Dated _____, 2016.

American Depositary Shares

GDS Holdings Limited

Representing Ordinary Shares

This is an initial public offering of shares of American depositary shares, or ADSs, each representing _____ ordinary shares of GDS Holdings Limited, or GDS Holdings.

GDS Holdings is offering _____ ADSs to be sold in this offering.

Prior to this offering, there has been no public market for the ADSs or our shares. It is currently estimated that the initial public offering price per ADS will be between US\$ _____ and US\$ _____. We will apply to list the ADSs on the [New York Stock Exchange, or the NYSE]/[NASDAQ], under the symbol "_____."

We are an "emerging growth company" under applicable United States federal securities laws and are eligible for reduced public company reporting requirements.

See "Risk Factors" on page 13 to read about factors you should consider before buying the ADSs.

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

	Per share	Total
Initial public offering price	US\$ _____	US\$ _____
Underwriting discount	US\$ _____	US\$ _____
Proceeds, before expenses, to GDS Holdings	US\$ _____	US\$ _____

To the extent that the underwriters sell more than _____ ADSs, the underwriters have the option to purchase up to an additional _____ ADSs from GDS at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the ADSs against payment in New York, New York on _____, 2016.

Credit Suisse

J.P. Morgan

(in alphabetical order)

Citi

RBC Capital Markets

Prospectus dated _____, 2016.

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No dealer, salesperson or other person is authorized to give any information or to represent as to anything not contained in this prospectus or in any free writing prospectus we may authorize to be delivered or made available to you. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell, and we are seeking offers to buy, only the ADSs offered hereby, and only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or any sale of the ADSs.

Neither we nor the underwriters have done anything that would permit this offering or the possession or distribution of this prospectus or any filed free writing prospectus in any jurisdiction where other action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus or any free writing prospectus filed with the United States Securities and Exchange Commission, or SEC, must inform themselves about, and observe any restrictions relating to, the offering of the ADSs and the distribution of this prospectus or any filed free writing prospectus outside of the United States.

Until _____, 2016 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PROSPECTUS SUMMARY

This summary highlights selected information contained in greater detail elsewhere in this prospectus. This summary may not contain all of the information that you should consider before investing in our ADSs. You should carefully read the entire prospectus, including "Risk Factors" and the financial statements, before making an investment decision.

Overview

We are a leading developer and operator of high-performance data centers in China. Our facilities are strategically located in China's primary economic hubs where demand for high-performance data center services is concentrated. Our data centers have large net floor area, high power capacity, density and efficiency, and multiple redundancy across all critical systems. We are carrier and cloud neutral, which enables our customers to connect to all major PRC telecommunications carriers, and to access a number of the largest PRC cloud service providers, whom we host in our facilities. We offer colocation and managed services, including a unique and innovative managed cloud value proposition. We have a 15-year track record of service delivery, successfully fulfilling the requirements of some of the largest and most demanding customers for outsourced data center services in China. Our base of over 300 customers consists predominantly of large Internet companies, financial institutions, telecommunications and IT service providers, and large domestic private sector and multinational corporations. As of December 31, 2015, we had an aggregate net floor area of 37,869 sqm in service, 87.5% of which was committed, and an aggregate net floor area of 35,525 sqm under construction. According to 451 Research, an independent research firm, we are the largest service provider in the high-performance carrier-neutral data center services market in China, with 19.7% market share as measured by area committed as of December 31, 2015.

The market for high-performance data center services in China is experiencing strong growth. According to 451 Research, the market is expected to increase from US\$1.5 billion in 2015 to US\$2.4 billion in 2018, representing a compound annual growth rate, or CAGR, of 16.6%. Over the same period, the high-performance carrier-neutral data center services market in China is expected to grow with a higher CAGR of 20.5%. Demand is driven by the confluence of several secular economic and industry trends, including: rapid growth of the Internet, e-commerce and big data; rising adoption of cloud computing and server virtualization, which requires data centers with higher power capacity, density and efficiency; increasing criticality of information technology and data in the enterprise environment which requires data centers with higher reliability; and growing reliance by enterprises on outsourcing as a solution to the increasing complexity and cost of managing mission-critical IT infrastructure. We believe that, as a result of this strong demand and the challenges of sourcing, developing and operating new facilities that meet the required standard, there is a relative scarcity of high-performance data center capacity in China. According to 451 Research, as of December 31, 2015, when comparing the ratio of square meters of colocation area in service to GDP, the U.S. had a ratio of 207 sqm per US\$1 billion in GDP, while China only had a ratio of 107.

Our portfolio of data centers and secured expansion capacity are strategically located to address this growing demand. We operate our data centers to service our customers predominantly in Shanghai, Beijing, Shenzhen, Guangzhou and Chengdu, the primary financial, commercial, industrial and communications hubs in each region of China. According to 451 Research, approximately 90% of the market in terms of revenue for high-performance data center services in China was concentrated in these markets in 2015. We have also established a presence in Hong Kong which we believe is another important market for our customers. Our data centers are located in close proximity to the corporate headquarters and key operation centers of many large enterprises, providing convenient access for our customers. Furthermore, the extensive multi-carrier telecommunications networks in these markets enable our customers to enhance the performance and lower the cost of connectivity to our facilities.

Our data centers are large-scale, highly reliable and highly efficient facilities that provide a flexible, modular and secure operating environment in which our customers can house, power and cool the computer systems and networking equipment that support their mission-critical IT infrastructure. We install large power capacity and optimize power usage efficiency, which enables our customers to deploy their IT infrastructure more efficiently and reduce their operating and capital costs. As a result of our advanced data center design, high technical specifications and robust operating procedures, we are able to make service level commitments related to service availability and other key metrics that meet our customers' required standards.

We currently serve over 300 customers, including large Internet companies, a diverse community of approximately 140 financial institutions, telecommunications and IT service providers and large domestic private sector and multinational corporations, many of which are leaders in their respective industries. Within our customer base, we host a number of major cloud service providers, including Aliyun, the cloud computing unit of Alibaba, which is present in several of our data centers. Contracts with our large Internet customers typically have terms of three to six years, while contracts with our enterprise customers typically have terms of one to five years. We achieved an average retention rate of over 95% per annum among our Internet and financial institution customers for colocation services in our current data centers over the past two years.

As of December 31, 2015, we operated six self-developed data centers with an aggregate net floor area of 28,865 sqm in service. We also operated capacity at fifteen third-party data centers with an aggregate net floor area of 9,004 sqm in service, which we lease on a wholesale basis and use to provide colocation and managed services to our customers. As of the same date, we had a further six new self-developed data centers and one phase of an existing data center with an aggregate net floor area of 35,525 sqm under construction. In addition, we had an estimated aggregate developable net floor area in excess of 20,000 sqm held for future development. Our net revenue and results of operations are largely determined by the degree to which data center space is committed or pre-committed as well as its utilization. We had commitment rates of 76.3% and 87.5% as of December 31, 2014 and 2015, respectively. We had utilization rates of 57.7% and 59.1% as of December 31, 2014 and 2015, respectively. The difference between commitment rate and utilization rate is primarily attributable to customers who have entered into agreements but have not yet started to use revenue-generating services.

Our net revenue grew from RMB468.3 million in 2014 to RMB703.6 million (US\$108.6 million) in 2015, representing an increase of 50.2%. Over the same period, our adjusted EBITDA increased from RMB38.0 million to RMB164.7 million (US\$25.4 million). Our net loss decreased from RMB130.0 million in 2014 to RMB98.6 million (US\$15.2 million) in 2015. As of December 31, 2015, our accumulated deficit was RMB582.3 million (US\$89.9 million).

Our Strengths

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

- large-scale, high-performance data centers strategically located in China's key markets;
- first-mover with a proven track record and reputation for operational excellence;
- well-established and rapidly expanding relationships with large and fast growing customers;
- large secured expansion capacity and proven ability to source and develop additional data centers;
- unique value proposition in managed cloud services that complements our core colocation services; and
- visionary and experienced management team supported by sophisticated strategic investors.

Our Strategies

We aim to capitalize on the attractive growth opportunities in the data center services market in China. We intend to achieve our goal through the following strategies:

- expand our unique portfolio of strategically located high-performance data centers;
- pursue balanced sourcing strategy to maintain continuous competitive supply;
- increase market share by attracting new customers and leveraging customer relationships;
- capitalize on rising adoption of cloud computing in China; and
- continue to focus relentlessly on operational excellence and capital efficiency.

Our Challenges

Our business and successful execution of our strategies are subject to certain challenges, risks and uncertainties including:

- a potential slowdown in the demand for data center resources or managed services;
- our ability to manage the growth of our operations and successfully implement our expansion plan;
- our capacity to generate capital to meet our anticipated capital requirements while managing our existing indebtedness;
- the possibility that we will continue to incur net losses;
- the potential for a significant or prolonged failure in the data center facilities we operate or services we provide;
- our ability to attract new customers and retain existing customers; and
- our ability to compete effectively.

In addition, we face risks and uncertainties related to our corporate structure and regulatory environment in China, including:

- regulations on foreign investment restriction and value added telecommunications services, according to which we may have been non-compliant in the past;
- risks associated with our control over our consolidated variable interest entities, or VIEs, in China, which is based on contractual arrangements rather than equity ownership; and
- changes in the political and economic policies of the PRC government.

We also face other risks and uncertainties that may materially affect our business, financial conditions, results of operations and prospects. You should consider the risks discussed in "Risk Factors" and elsewhere in this prospectus before investing in our ADSs.

Our Corporate Structure

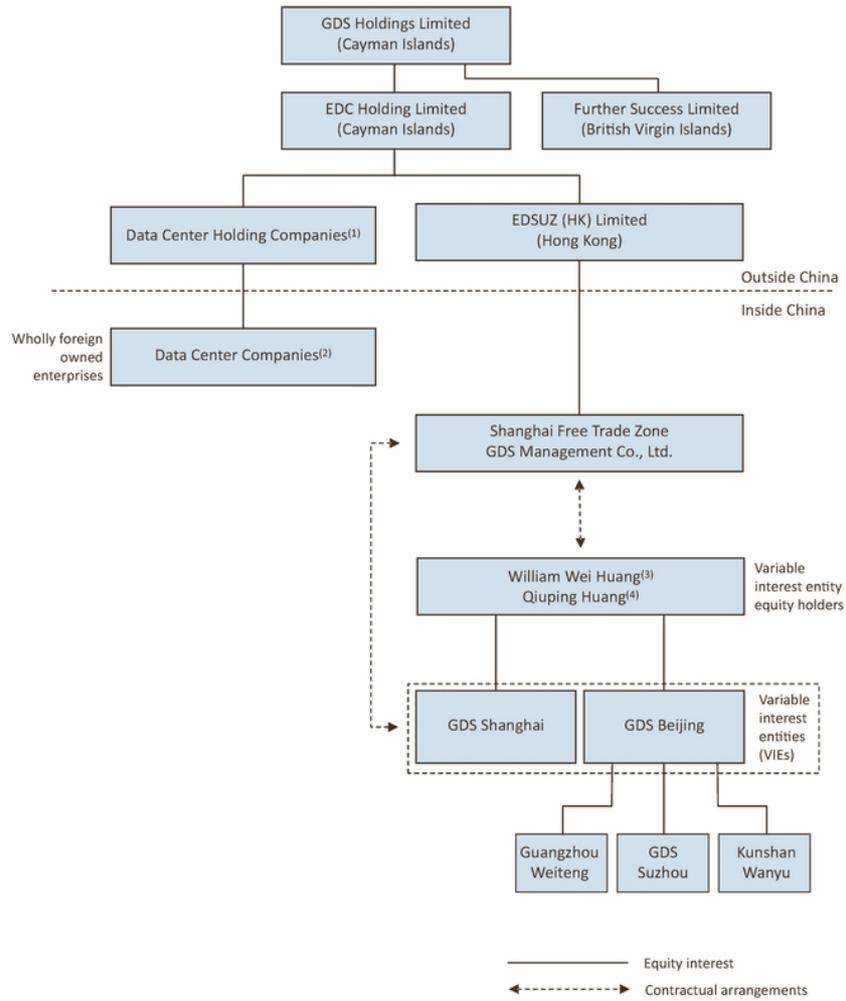
We are an exempted company and were incorporated in the Cayman Islands in 2006. We own 100% of the shares in EDC Holding Limited, or EDC Holding, an exempted company also incorporated in the Cayman Islands, through which we indirectly hold 100% of the equity interests in holding companies in Hong Kong, many of which own our data centers through one or more PRC entities. We refer to these PRC companies as our data center companies. Through EDC Holding we also indirectly hold 100% of the equity interests in Shanghai Free Trade Zone GDS Management Co., Ltd., or GDS Management Company.

Due to PRC regulations that limit foreign equity ownership of entities providing value-added telecommunications services, or VATS, to 50%, and the inclusion of Internet data center services, or IDC services, within the scope of VATS, we conduct a substantial part of our operations in China through contractual arrangements among GDS Management Company, our data center companies, and two VIEs that hold licenses required to operate our business, Beijing Wanguo Chang'an Science & Technology Co., Ltd., or GDS Beijing, and Shanghai Shu'an Data Services Co., Ltd., or GDS Shanghai, and their shareholders. As a result of these contractual arrangements, we control GDS Shanghai, GDS Beijing and its subsidiaries, including Global Data Solutions Co., Ltd., or GDS Suzhou and Kunshan Wanyu Data Service Co., Ltd., or Kunshan Wanyu, and have consolidated the financial information of these VIEs in our consolidated financial statements in accordance with generally accepted accounting principles in the United States, or U.S. GAAP. In May 2016, we, through GDS Beijing, acquired all of the equity interest in Guangzhou Weiteng Construction Co., Ltd., or Guangzhou Weiteng from a third party for an aggregate purchase price of RMB129.5 million (US\$20.0 million), subject to adjustment, if any, pursuant to the terms of conditions of the equity purchase agreement. Guangzhou Weiteng will be included in our consolidated financial statements.

In 2003, some of our principal shareholders, including our founder, Mr. William Wei Huang, established Global Data Solutions Limited, a Cayman Islands exempted company. In 2001, Further Success Limited, or FSL, a limited liability company established in the British Virgin Islands and currently a direct wholly owned subsidiary of GDS Holdings acquired Global Data Solutions Co., Ltd., or GDS Suzhou, which was established by third parties in 2000. In 2006, GDS Beijing and GDS Holdings were established under the laws of the PRC and Cayman Islands, respectively. In 2009, we underwent restructuring with respect to GDS Beijing, which became a consolidated VIE. In 2010, GDS Suzhou was relocated from Shenzhen to Suzhou. In 2014, GDS Shanghai, which was established in 2011, also became a consolidated VIE.

Three of our principal shareholders, STT GDC Pte Ltd, or STT GDC (a wholly owned subsidiary of Singapore Technologies Telemedia Pte Ltd, or ST Telemedia), SoftBank China Venture Capital, and Mr. William Wei Huang, our founder, co-chairman and chief executive officer, currently own or exercise voting and investment control over approximately 42.1%, 18.1% and 13.6% (including ordinary shares underlying share options exercisable within 60 days beneficially owned by Mr. Huang), respectively, of our outstanding ordinary shares (assuming the conversion of our preference shares into ordinary shares), and approximately %, % and %, respectively, of our outstanding ordinary shares immediately after this offering, assuming no exercise by the underwriters of options to purchase additional ADSs, and accordingly, will exert significant influence and control over important corporate matters that require shareholder approval. See "Risk Factors—Risks Related to Our Corporate Structure—Our corporate actions are substantially controlled by our principal shareholders, including our founder, co-chairman and chief executive officer, William Wei Huang, who have the ability to control or exert significant influence over important corporate matters that require approval of shareholders, which may deprive you of an opportunity to receive a premium for your ADSs and materially reduce the value of your investment."

The following diagram illustrates our corporate structure as of the date of this prospectus. It omits certain entities that are immaterial to our results of operations, business and financial condition. Equity interests depicted in this diagram are held as to 100%. The relationships between each of GDS Shanghai and GDS Beijing and GDS Management Company as illustrated in this diagram are governed by contractual arrangements and do not constitute equity ownership.



- (1) Includes 13 subsidiaries and consolidated entities (aside from EDSUZ (HK) Limited, shown above) incorporated in Hong Kong, seven of which hold our PRC-incorporated data center companies, and two additional subsidiaries incorporated in BVI and Macau, but excludes dormant or immaterial entities with no material business. See the chart presented in "Our History and Corporate Structure" for details on the data center holding companies.
- (2) Includes 10 additional subsidiaries and consolidated entities incorporated in China. See the chart presented in "Our History and Corporate Structure" for details on the data center companies.

- (3) Holds equity interests of 99.90% in GDS Shanghai, and of approximately 99.97% in GDS Beijing.
- (4) Holds equity interests of 0.10% in GDS Shanghai, and of approximately 0.03% in GDS Beijing.

Our Corporate Information

Our principal executive offices are located at 2/F Tower 2, Youyou Century Place, 428 South Yanggao Road, Pudong, Shanghai 200127, People's Republic of China. Our telephone number at this address is +86-21-2033-0303. Our registered office in the Cayman Islands is located at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. Our telephone number at this address is +1 (345) 949 1040. We also have four regional offices in Suzhou, Beijing, Chengdu and Shenzhen. Investors should submit any inquiries to the address and telephone number of our principal executive offices set forth above.

Our main website is www.gds-services.com, and the information contained on this website is not a part of this prospectus. Our agent for service of process in the United States is Law Debenture Corporate Service Inc. located at 400 Madison Avenue, 4th floor, New York, NY 10017.

Implications of Being an Emerging Growth Company

As a company with less than US\$1.0 billion in revenue for the last fiscal year, we qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements 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. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. However, we have elected to "opt out" of this provision and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We will remain an emerging growth company until the earliest of (a) the last day of our fiscal year during which we have total annual gross revenues of at least US\$1.0 billion; (b) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (c) the date on which we have, during the previous three year period, issued more than US\$1.0 billion in non-convertible debt; or (d) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our ADSs that are held by non-affiliates exceeds US\$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

Conventions That Apply to This Prospectus

Unless we indicate otherwise, references in this prospectus to:

- "ADSs" are to our American depositary shares, each of which represents ordinary shares, and "ADRs" are to the American depositary receipts that evidence our ADSs;
- "area committed" are to the net floor area of data centers in service for which agreements from customers remain in effect;
- "area held for future development" are to the estimated data center net floor area that we expect to be able to develop on land, at buildings and pursuant to development or lease agreements which we have secured, but which are not under construction;

- "area in service" are to the net floor area of data centers in service for which one or more modules have been equipped and fitted out ready for utilization by customers;
- "area pre-committed" are to the net floor area of data centers under construction for which agreements from customers remain in effect;
- "area utilized" are to the net floor area of data centers in service that is also revenue generating pursuant to customer agreements in effect;
- "area under construction" are to the net floor area of data centers which are under construction and are not yet ready for service;
- "China" and the "PRC" are to the People's Republic of China, excluding, for the purposes of this prospectus only, Taiwan, the Hong Kong Special Administrative Region and the Macao Special Administrative Region;
- "commitment rate" are to the ratio of area committed to area in service;
- "pre-commitment rate" are to the ratio of area pre-committed to area under construction;
- "RMB" or "Renminbi" are to the legal currency of China;
- "self-developed data centers" are to data centers that we have either purpose-built or converted from existing buildings to fit our standards;
- "sqm" are to square meters;
- "third-party data centers" are to data center net floor area that we lease on a wholesale basis from other data center providers and use to provide data center services to our customers;
- "total area committed" are to the sum of area committed and area pre-committed;
- "US\$, "U.S. dollars," or "dollars" are to the legal currency of the United States;
- "utilization rate" are to the ratio of area utilized to area in service; and
- "we," "us," "our company" and "our" are to GDS Holdings Limited and its subsidiaries and consolidated affiliated entities, as the context requires.

Unless specifically indicated otherwise or unless the context otherwise requires, all references to our ordinary shares exclude (i) ordinary shares issuable upon the exercise of outstanding options with respect to our ordinary shares under our share incentive plan and (ii) assumes that the underwriters will not exercise their over-allotment option to purchase additional ADSs.

The translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus for 2015 were made at a rate of RMB6.4778 to US\$1.00, respectively, the exchange rates set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2015, respectively. We make no representation that the Renminbi or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. On July 29, 2016, the noon buying rate for Renminbi was RMB6.6371 to US\$1.00.

THE OFFERING

ADSS Offered by Us	ADSS
Price per ADS	We estimate that the initial public offering price will be between US\$ and US\$ per ADS.
ADSS Outstanding Immediately After This Offering	ADSS (or ADSs if the underwriters exercise in full the over-allotment option).
Ordinary Shares Outstanding Immediately After This Offering	ordinary shares (or ordinary shares if the underwriters exercise in full the over-allotment option), excluding ordinary shares issuable upon the exercise of options outstanding under our share incentive plan as of , 2016.
Over-Allotment Option	We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase up to an aggregate of additional ADSs at the initial public offering price, less underwriting discounts and commissions, solely for the purpose of covering over-allotments.
The ADSs	<p>Each ADS represents ordinary shares.</p> <p>The depositary will be the holder of the ordinary shares underlying the ADSs and you will have the rights of an ADR holder as provided in the deposit agreement among us, the depositary and holders and beneficial owners of ADSs from time to time.</p> <p>You may surrender your ADSs to the depositary to withdraw the ordinary shares underlying your ADSs. The depositary will charge you a fee for such an exchange.</p> <p>We may amend or terminate the deposit agreement for any reason without your consent. Any amendment that imposes or increases fees or charges or which materially prejudices any substantial existing right you have as an ADS holder will not become effective as to outstanding ADSs until 30 days after notice of the amendment is given to ADS holders. If an amendment becomes effective, you will be bound by the deposit agreement as amended if you continue to hold your ADSs.</p> <p>To better understand the terms of the ADSs, you should carefully read the section in this prospectus entitled "Description of American Depositary Shares." We also encourage you to read the deposit agreement, which is an exhibit to the registration statement that includes this prospectus.</p>

Use of Proceeds	We estimate that we will receive net proceeds of approximately US\$ million from this offering, assuming an initial public offering price of US\$ per ADS, the mid-point of the estimated range of the initial public offering price, after deducting estimated underwriter discounts, commissions and estimated offering expenses payable by us. We anticipate using the net proceeds of this offering to repay certain portions of our indebtedness, to develop and acquire new data centers and for general corporate purposes. See "Use of Proceeds" for more information.
Risk Factors	See "Risk Factors" and other information included in this prospectus for a discussion of the risks relating to investing in our ADSs. You should carefully consider these risks before deciding to invest in our ADSs.
Directed ADS Program	At our request, the underwriters have reserved up to % of the ADSs being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us and members of their families. The sales will be made by , an underwriter of this offering, through a directed share program. We do not know if these persons will choose to purchase all or any portion of these reserved ADSs, but any purchases they do make will reduce the number of ADSs available to the general public. Any reserved ADSs not so purchased will be offered by the underwriters to the general public on the same terms as the other ADSs. Certain participants may be subject to the lock-up agreements as described in "Underwriting—Directed ADS Program" elsewhere in this prospectus.
Listing	We have applied to list our ADSs on the [NYSE]/[NASDAQ]. Our ordinary shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system.
Proposed [NYSE/NASDAQ] Trading Symbol	
Depository	
Lock-up	We, our officers and directors, our existing shareholders and purchasers of the ADSs under the directed ADS program have agreed with the underwriters not to sell, transfer or dispose of any ADSs, ordinary shares or similar securities for a period of 180 days after the date of this prospectus, subject to certain exceptions. See "Shares Eligible for Future Sale" and "Underwriting."

SUMMARY CONSOLIDATED FINANCIAL AND OPERATING DATA

The following consolidated statements of operations data for the years ended December 31, 2014 and 2015 and the summary consolidated balance sheet data as of December 31, 2014 and 2015 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with U.S. GAAP.

On June 30, 2014, we acquired EDC Holding from its shareholders whereby we issued shares to EDC Holding's shareholders in exchange for their shares in EDC Holding. Pursuant to the terms of the agreement, we issued 199,163,164 shares in exchange for approximately 93% of the shares in EDC Holding which we did not already own. Since the date of the acquisition, EDC Holding has been our wholly-owned subsidiary and has been consolidated with our results of operations. See note 8 of our consolidated financial statements included elsewhere in this prospectus.

Our historical results are not necessarily indicative of results to be expected for any future period. The following summary consolidated financial data for the periods and as of the dates indicated are qualified by reference to, and should be read in conjunction with, our consolidated financial statements and related notes and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations," both of which are included elsewhere in this prospectus.

	Year Ended December 31,		
	2014	2015	
	RMB	RMB	US\$
	(in thousands, except share data and per share data)		
Consolidated Statements of Operations Data:			
Net revenue	468,337	703,636	108,623
Cost of revenue	(388,171)	(514,997)	(79,502)
Gross profit	80,166	188,639	29,121
Operating expenses			
Selling and marketing expenses	(40,556)	(57,588)	(8,890)
General and administrative expenses	(113,711)	(128,714)	(19,870)
Research and development expenses	(1,597)	(3,554)	(549)
Loss from operations	(75,698)	(1,217)	(188)
Other income (expenses)			
Net interest expense	(124,973)	(125,546)	(19,381)
Foreign currency exchange (loss) gain, net	(875)	11,107	1,715
Government grants	4,870	3,915	604
Gain on remeasurement of equity investment	62,506	—	—
Others, net	(412)	1,174	181
Loss before income taxes	(134,582)	(110,567)	(17,069)
Income tax benefits	4,583	11,983	1,850
Net loss	(129,999)	(98,584)	(15,219)
Extinguishment of redeemable preferred shares	(106,515)	—	—
Change in redemption value of redeemable preferred shares	(69,116)	(110,926)	(17,124)
Dividends on redeemable preferred shares	(3,509)	(7,127)	(1,100)
Net loss available to ordinary shareholders	(309,139)	(216,637)	(33,443)
Net loss per ordinary share—basic and diluted	(1.91)	(0.99)	(0.15)
Weighted average number of ordinary shares outstanding—basic and diluted	162,070,745	217,987,922	217,987,922

	As of December 31,				
	2014		2015		
	Actual RMB	Actual RMB	Actual US\$	Pro Forma ⁽¹⁾ US\$	Pro Forma as Adjusted ⁽²⁾ US\$
(in thousands)					
Consolidated Balance Sheet Data:					
Cash	606,758	924,498	142,718		
Accounts receivable, net	73,366	111,013	17,137		
Total current assets	745,831	1,186,699	183,195		
Property and equipment, net	1,694,944	2,512,687	387,892		
Goodwill and intangible assets	1,350,524	1,341,599	207,108		
Total assets	3,854,074	5,128,272	791,669		
Total current liabilities	897,630	925,049	142,803		
Total liabilities	1,706,600	3,073,463	474,460		
Redeemable preferred shares	2,164,039	2,395,314	369,773		
Total shareholders' (deficit) equity	(16,565)	(340,505)	(52,564)	317,209	

- (1) The pro forma column gives effect to the automatic conversion of all of our outstanding preferred shares into 349,087,677 ordinary shares immediately upon the completion of this offering.
- (2) The pro forma as adjusted column gives effect to (i) the automatic conversion of all of our outstanding preferred shares into 349,087,677 ordinary shares immediately prior to the closing of this offering and (ii) the issuance and sale of ordinary shares in the form of ADSs by us in this offering, assuming an initial public offering price of US\$ per ADS, the midpoint of the estimated range of the initial public offering price, after deducting estimated underwriting discounts, commissions and estimated offering expenses payable by us and assuming no exercise of the underwriters' over-allotment option. A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ per ADS would increase (decrease) total shareholders' equity by US\$.

Key Financial Metrics

We monitor the following key financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our business strategies and assess operational efficiencies:

	Year ended December 31,	
	2014	2015
Other Consolidated Financial Data:		
Gross margin ⁽¹⁾	17.1%	26.8%
Operating loss margin ⁽²⁾	(16.2)%	(0.2)%
Net loss margin ⁽³⁾	(27.8)%	(14.0)%

- (1) Gross profit as a percentage of net revenue.
- (2) Loss from operations as a percentage of net revenue.
- (3) Net loss as a percentage of net revenue.

Non-GAAP Measures

In evaluating our business, we consider and use the following non-GAAP measures as supplemental measures to review and assess our operating performance:

	Year ended December 31,		
	2014	2015	
	RMB	RMB	US\$
	(in thousands, except percentages)		
Other Consolidated Financial Data:			
Adjusted EBITDA ⁽¹⁾	38,044	164,701	25,425
Adjusted EBITDA margin ⁽²⁾	8.1%	23.4%	23.4%

- (1) Adjusted EBITDA is defined as net income or net loss excluding net interest expenses, incomes tax benefits, depreciation and amortization, accretion expenses for asset retirement costs, share-based compensation expenses, and gain on remeasurement of equity investment.
- (2) Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of net revenue.

Our management and board of directors use adjusted EBITDA and adjusted EBITDA margin, which are non-GAAP financial measures, to evaluate our operating performance, establish budgets and develop operational goals for managing our business. In particular, we believe that the exclusion of the expenses eliminated in calculating adjusted EBITDA can provide a useful measure of our core operating performance.

We also present these non-GAAP measures because we believe these non-GAAP measures are frequently used by securities analysts, investors and other interested parties as measures of the financial performance of companies in our industry.

These non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. These non-GAAP financial measures have limitations as analytical tools, and when assessing our operating performance, cash flows or our liquidity, investors should not consider them in isolation, or as a substitute for net income (loss), cash flows provided by operating activities or other consolidated statements of operation and cash flow data prepared in accordance with U.S. GAAP.

We mitigate these limitations by reconciling the non-GAAP financial measure to the most comparable U.S. GAAP performance measure, all of which should be considered when evaluating our performance.

The following table reconciles our adjusted EBITDA in the years presented to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, which is net income or net loss:

	Year Ended December 31,		
	2014	2015	
	RMB	RMB	US\$
	(in thousands)		
Net loss	(129,999)	(98,584)	(15,219)
Net interest expenses	124,973	125,546	19,381
Income tax benefits	(4,583)	(11,983)	(1,850)
Depreciation and amortization	82,753	145,406	22,447
Accretion expenses for asset retirement costs	73	255	39
Share-based compensation expenses	27,333	4,061	627
Gain on remeasurement of equity investment	(62,506)	—	—
Adjusted EBITDA	<u>38,044</u>	<u>164,701</u>	<u>25,425</u>

RISK FACTORS

You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below and our consolidated financial statements and related notes, before making an investment in our ADSs. Any of the following risks and uncertainties could have a material adverse effect on our business, financial condition, results of operations and prospects. The market price of our ADSs could decline significantly as a result of any of these risks and uncertainties, and you may lose all or part of your investment.

Risk Factors Relating to Our Business and Industry

A slowdown in the demand for data center resources or managed services could have a material adverse effect on us.

Adverse developments in the data center market, in the industries in which our customers operate, or in demand for cloud computing could lead to a decrease in the demand for data center resources or managed services, which could have a material adverse effect on us. We face risks including:

- a decline in the technology industry, such as a decrease in the use of mobile or web-based commerce, business layoffs or downsizing, relocation of businesses, increased costs of complying with existing or new government regulations and other factors;
- a slowdown in the growth of the Internet generally as a medium for commerce and communication and the use of cloud-based platforms and services in particular;
- a downturn in the market for data center space generally, which could be caused by an oversupply of or reduced demand for space, and a downturn in cloud-based data center demand in particular; and
- the rapid development of new technologies or the adoption of new industry standards that render our or our customers' current products and services obsolete or unmarketable and, in the case of our customers, that contribute to a downturn in their businesses, increasing the likelihood of a default under their service agreements or that they become insolvent.

To the extent that any of these or other adverse conditions occurs, they are likely to impact market demand and pricing for our services.

Any inability to manage the growth of our operations could disrupt our business and reduce our profitability.

We have experienced significant growth in recent years. Our net revenue has grown from RMB468.3 million in 2014 to RMB703.6 million (US\$108.6 million) in 2015. We derive net revenue primarily from colocation services and, to a lesser extent, managed services. In addition, we also sell IT equipment either on a stand-alone basis or bundled in a managed service contract arrangement and provide consulting services. Our net revenues for colocation were RMB342.5 million and RMB500.9 million (US\$77.3 million) in 2014 and 2015, representing 73.1% and 71.2% of total net revenue over the same period. Our net revenues for managed services and consulting services were RMB108.4 million and RMB152.7 million (US\$23.6 million) in 2014 and 2015, representing 23.2% and 21.7% of total net revenue over the same period.

Our operations have also expanded in recent years through increases in the number and size of the data center facilities we operate, which we expect will continue to grow. Our rapid growth has placed, and will continue to place, significant demands on our management and our administrative, operational and financial systems. Continued expansion increases the challenges we face in:

- obtaining suitable land to build new data centers;

- establishing new operations at additional data centers and maintaining efficient use of the data center facilities we operate;
- managing a large and growing customer base with increasingly diverse requirements;
- expanding our service portfolio to cover a wider range of services, including managed cloud services;
- creating and capitalizing on economies of scale;
- obtaining additional capital to meet our future capital needs;
- recruiting, training and retaining a sufficient number of skilled technical, sales and management personnel;
- maintaining effective oversight over personnel and multiple data center locations;
- coordinating work among sites and project teams; and
- developing and improving our internal systems, particularly for managing our continually expanding business operations.

If we fail to manage the growth of our operations effectively, our businesses and prospects may be materially and adversely affected.

If we are not successful in expanding our service offerings, we may not achieve our financial goals and our results of operations may be adversely affected.

We have been expanding, and plan to continue to expand, the nature and scope of our service offerings, particularly into the area of cloud infrastructure and managed cloud services. The success of our expanded service offerings depends, in part, upon demand for such services by new and existing customers and our ability to meet their demand in a cost-effective manner. We may face a number of challenges expanding our service offerings, including:

- acquiring or developing the necessary expertise in IT;
- maintaining high-quality control and process execution standards;
- maintaining productivity levels and implementing necessary process improvements;
- controlling costs; and
- successfully attracting existing and new customers for new services we develop.

A failure by us to effectively manage the growth of our service portfolio could damage our reputation, cause us to lose business and adversely affect our results of operations. In addition, because managed cloud services may require significant upfront investment, we expect that continued expansion into these services will reduce our profit margins. In the event that we are unable to successfully grow our service portfolio, we could lose our competitive edge in providing our existing colocation and managed services, since significant time and resources that are devoted to such growth could have been utilized instead to improve and expand our existing colocation and managed services.

We face risks associated with having a long selling and implementation cycle for our services that requires us to make significant capital expenditures and resource commitments prior to recognizing revenue for those services.

We have a long selling cycle for our services, which typically requires significant investment of capital, human resources and time by both our customers and us. Constructing, developing and operating our data centers require significant capital expenditures. A customer's decision to utilize our colocation services, our managed solutions or our other services typically involves time-consuming contract negotiations regarding the service level commitments and other terms, and substantial due diligence on the part of the customer

regarding the adequacy of our infrastructure and attractiveness of our resources and services. Furthermore, we may expend significant time and resources in pursuing a particular sale or customer, and we do not recognize revenue for our services until such time as the services are provided under the terms of the applicable contract. Our efforts in pursuing a particular sale or customer may not be successful, and we may not always have sufficient capital on hand to satisfy our working capital needs between the date on which we sign an agreement with a new customer and when we first receive revenue for services delivered to the customer. If our efforts in pursuing sales and customers are unsuccessful, or our cash on hand is insufficient to cover our working capital needs over the course of our long selling cycle, our financial condition could be negatively affected.

The data center business is capital-intensive, and our capacity to generate capital may be insufficient to meet our anticipated capital requirements.

The costs of constructing, developing and operating data centers are substantial. Further, we may encounter development delays, excess development costs, or delays in developing space for our customers to utilize. We also may not be able to identify suitable land or facilities for new data centers or at a cost on terms acceptable to us. We are required to fund the costs of constructing, developing and operating our data centers with cash retained from operations, as well as from financings from bank and other borrowings. Moreover, the costs of constructing, developing and operating data centers have increased in recent years, and may further increase in the future, which may make it more difficult for us to expand our business and to operate our data centers profitably. There can be no assurance that our future net revenue would be sufficient to offset increases in these costs, or that our business operations will generate capital sufficient to meet our anticipated capital requirements. If we cannot generate sufficient capital to meet our anticipated capital requirements, our financial condition, business expansion and future prospects could be materially and adversely affected.

Our substantial level of indebtedness could adversely affect our ability to raise additional capital to fund our operations, expose us to interest rate risk to the extent of our variable rate debt and prevent us from meeting our obligations under our indebtedness.

We have substantial indebtedness. As of December 31, 2015, we had total consolidated indebtedness of RMB2,508.7 million (US\$387.3 million), including borrowings, capital lease obligations and convertible bonds. Our high level of indebtedness could, among other consequences:

- make it more difficult for us to satisfy our obligations under our indebtedness, exposing us to the risk of default, which, in turn, would negatively affect our ability to operate as a going concern;
- require us to dedicate a substantial portion of our cash flows from operations to interest and principal payments on our indebtedness, reducing the availability of our cash flows for other purposes, such as capital expenditures, acquisitions and working capital;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- increase our vulnerability to general adverse economic and industry conditions;
- place us at a disadvantage compared to our competitors that have less debt;
- expose us to fluctuations in the interest rate environment because the interest rates on borrowings under our project financing agreements are variable;
- increase our cost of borrowing;
- limit our ability to borrow additional funds; and
- require us to sell assets to raise funds, if needed, for working capital, capital expenditures, acquisitions or other purposes.

As a result of covenants and restrictions, we are limited in how we conduct our business, and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. Our current or future borrowings could increase the level of financial risk to us and, to the extent that the interest rates are not fixed and rise, or that borrowings are refinanced at higher rates, our available cash flow and results of operations could be adversely affected.

We have financing arrangements in place with various lenders to support specific data center construction projects. Certain of these financing arrangements are secured by our accounts receivable, property and equipment and land use rights. The terms of these financing arrangements may impose covenants and obligations on the part of both the borrowing subsidiary of ours and us as guarantor. For example, some of these agreements contain requirements to maintain a specified minimum cash balance at all times or require that the borrower's outstanding loans stay within a "borrowing range." A subsidiary of ours in the past failed to meet the borrowing range requirement and although the subsidiary obtained a waiver letter from the creditor that waived the covenant violations, we cannot provide any assurances that we will always be able to meet any covenant tests under our financing arrangements. For more information regarding covenants arising from our financing arrangements, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations."

The terms of any future indebtedness we may incur could include more restrictive covenants. A breach of any of these covenants could result in a default with respect to the related indebtedness. If a default occurs, the relevant lenders could elect to declare the indebtedness, together with accrued interest and other fees, to be due and payable immediately. This, in turn, could cause our other debt, to become due and payable as a result of cross-default or acceleration provisions contained in the agreements governing such other debt. In the event that some or all of our debt is accelerated and becomes immediately due and payable, we may not have the funds to repay, or the ability to refinance, such debt.

We may require additional capital to meet our future capital needs, which may adversely affect our financial position and result in additional shareholder dilution.

To grow our operations, we will be required to commit a substantial amount of operating and financial resources. Our planned capital expenditures, together with our ongoing operating expenses, will cause substantial cash outflows. If we are not able to generate sufficient operating cash flows, our ability to fund our expansion plan may be limited. We may need to raise additional funds through equity or debt financings in the future in order to meet our operating and capital needs. Additional debt or equity financing may not be available when needed or, if available, may not be available on satisfactory terms. Our inability to obtain additional debt and/or equity financing or to generate sufficient cash from operations may require us to prioritize projects or curtail capital expenditures and could adversely affect our results of operations.

If we raise additional funds through further issuances of equity or equity-linked securities, our existing shareholders could suffer significant dilution in their percentage ownership of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our ordinary shares. In addition, any debt financing that we may obtain in the future could have restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Increased power costs and limited availability of power resources may adversely affect our results of operations.

We are a large consumer of power and costs of power account for a significant portion of our cost of revenue. We require power supply to provide many services we offer, such as powering and cooling our customers' servers and network equipment and operating critical data center plant and equipment

infrastructure. Since we rely on two centralized power utility suppliers, State Grid and Southern Grid, to provide our data centers with power, our data centers could have limited or inadequate access to power.

The amount of power required by our customers may increase as they adopt new technologies, for example, for virtualization of hardware resources. As a result, the average amount of power utilized per server is increasing, which in turn increases power consumption required to cool the data center facilities. Pursuant to our colocation service contracts, we provide our customers with a committed level of power supply availability. Although we aim to improve the energy efficiency of the data center facilities that we operate, there can be no assurance such data center facilities will be able to provide sufficient power to meet the growing needs of our customers. Our customers' demand for power may exceed the power capacity in our older data centers, which may limit our ability to fully utilize the net floor area of these data centers. We may lose customers or our customers may reduce the services purchased from us due to increased power costs, and limited availability of power resources, or we may incur costs for data center space which we cannot utilize, which would reduce our net revenue and have a material and adverse effect on our cost of revenue and results of operations.

We attempt to manage our power resources and limit exposure to system downtime due to power outages from the electric grid by having redundant power feeds from the grid and by using backup generators and battery power. However, these protections may not limit our exposure to power shortages or outages entirely. Any system downtime resulting from insufficient power resources or power outages could damage our reputation and lead us to lose current and potential customers, which would harm our financial condition and results of operations.

We have a history of net losses and may continue to incur losses in the future.

We incurred net losses of RMB130.0 million and RMB98.6 million (US\$15.2 million) in 2014 and 2015, respectively, and we may incur losses in the future. We expect our costs and expenses to increase as we expand our operations, primarily including costs and expenses associated with owning and leasing data center space, increasing our headcount and utility expenses. Our ability to achieve and maintain profitability depends on the continued growth and maintenance of our customer base, our ability to control our costs and expenses, the expansion of our service offerings and our ability to provide our services at the level needed to satisfy the stringent demands of our customers. In addition, our ability to achieve profitability is affected by many factors which are beyond our control, such as the overall demand for data center services in China and general economic conditions. If we cannot efficiently manage the data center facilities we operate, our financial condition and results of operations could be materially and adversely affected. We may continue to incur losses in the future due to our continued investments in leasing data center space, increased headcount and increased utility expenses.

Any significant or prolonged failure in the data center facilities we operate or services we provide would lead to significant costs and disruptions and would reduce our net revenue, harm our business reputation and have a material adverse effect on our results of operation.

The data center facilities we operate are subject to failure. Any significant or prolonged failure in any data center facility we operate or services that we provide, including a breakdown in critical plant, equipment or services, such as the cooling equipment, generators, backup batteries, routers, switches, or other equipment, power supplies, or network connectivity, whether or not within our control, could result in service interruptions and data losses for our customers as well as equipment damage, which could significantly disrupt the normal business operations of our customers and harm our reputation and reduce our net revenue. Any failure or downtime in one of the data center facilities that we operate could affect many of our customers. The total destruction or severe impairment of any of the data center facilities we operate could result in significant downtime of our services and catastrophic loss of customer data. Since our ability to attract and retain customers depends on our ability to provide highly reliable service, even

minor interruptions in our service could harm our reputation and cause us to incur financial penalties. The services we provide are subject to failures resulting from numerous factors, including:

- power loss;
- equipment failure;
- human error or accidents;
- theft, sabotage and vandalism;
- failure by us or our suppliers to provide adequate service or maintenance to our equipment;
- network connectivity downtime and fiber cuts;
- security breaches to our infrastructure;
- improper building maintenance by us or the landlords of the buildings in which our leased facilities are located;
- physical, electronic and cyber security breaches;
- fire, earthquake, hurricane, tornado, flood and other natural disasters;
- extreme temperatures;
- water damage;
- public health emergencies; and
- terrorism.

We have in the past experienced, and may in the future experience, interruptions in service due to power outages or other technical failures or for reasons outside of our control. We have taken and continue to take steps to improve our infrastructure to prevent service interruptions, including upgrading our electrical and mechanical infrastructure and sourcing and designing the best facilities possible. However, service interruptions continue to be a significant risk for us and could affect our reputation, damage our relationships with customers and materially and adversely affect our business.

Delays in the construction of new data centers or the expansion of existing data centers could involve significant risks to our business.

In order to meet customer demand and the continued growth of our business, we need to expand existing data centers, lease new facilities or obtain suitable land to build new data centers. Expansion of existing data centers and/or construction of new data centers are currently underway, or being contemplated and such expansion and/or construction require us to carefully select and rely on the experience of one or more designers, general contractors, and subcontractors during the design and construction process. If a designer or contractor experiences financial or other problems during the design or construction process, we could experience significant delays and/or incur increased costs to complete the projects, resulting in negative impacts on our results of operations.

In addition, we need to work closely with the local power suppliers, and sometimes local governments, where our proposed data centers are located. Delays in actions that require the assistance of such third-parties, or delays in receiving required permits and approvals from such parties, may also affect the speed with which we complete data center projects or result in their not being completed at all. We have experienced such delays in receiving approvals and permits or in actions to be taken by third parties in the past and may experience them again in the future.

If we experience significant delays in the supply of power required to support the data center expansion or new construction, either during the design or construction phases, the progress of the data

center expansion and/or construction could deviate from our original plans, which could cause material and negative effect to our revenue growth, profitability and results of operations.

The occurrence of a catastrophic event or a prolonged disruption may exceed our insurance coverage by significant amounts.

Our operations are subject to hazards and risks normally associated with the daily operations of our data center facilities. Currently, we maintain insurance policies in four categories: business interruption for lost profits, property and casualty, public liability, and commercial employee insurance. Our business interruption insurance for lost profits includes coverage for business interruptions, our property and casualty insurance includes coverage for equipment breakdowns and our commercial employee insurance includes employee group insurance and senior management medical insurance. We believe our insurance coverage adequately covers the risks of our daily business operations. However, our current insurance policies may be insufficient in the event of a prolonged or catastrophic event. The occurrence of any such event that is not entirely covered by our insurance policies may result in interruption of our operations and subject us to significant losses or liabilities and damage our reputation as a provider of business continuity services. In addition, any losses or liabilities that are not covered by our current insurance policies may have a material adverse effect on our business, financial condition and results of operations.

We may be vulnerable to security breaches which could disrupt our operations and have a material adverse effect on our financial condition and results of operations.

A party who is able to compromise the security measures protecting the data center facilities we operate or any of the data stored in such data center facilities could misappropriate our or our customers' proprietary information or cause interruptions or malfunctions in our operations. As we provide assurances to our customers that we provide the highest level of security, such a compromise could be particularly harmful to our brand and reputation. We may be required to expend significant capital and resources to protect against such threats or to alleviate problems caused by breaches in security. In addition, as we continue expanding our service offerings in the cloud infrastructure and managed cloud services space, we will face greater risks from potential attacks because the provision of cloud-related services will increase the flow of Internet user data through the data center facilities we operate and create broader public access to our system. As techniques used to breach security change frequently and are often not recognized until launched against a target, we may not be able to implement new security measures in a timely manner or, if and when implemented, we may not be certain whether these measures could be circumvented. Any breaches that may occur could expose us to increased risk of lawsuits, regulatory penalties, loss of existing or potential customers, harm to our reputation and increases in our security costs, which could have a material adverse effect on our financial condition and results of operations.

In addition, any assertions of alleged security breaches or systems failure made against us, whether true or not, could harm our reputation, cause us to incur substantial legal fees and have a material adverse effect on our business, reputation, financial condition and results of operations.

Our ability to provide data center services depends on the major telecommunications carriers in China providing sufficient network services to our customers in the data center facilities that we operate on commercially acceptable terms.

Our ability to provide data center services depends on the major telecommunications carriers in China, namely China Telecom, China Unicom and China Mobile, providing sufficient network connectivity and capacity to enable our customers to transfer data to and from equipment that they locate in the data center facilities that we operate. Furthermore, given the limited competition among basic service providers in the telecommunications market in China, we depend on the dominant carrier in each location to provide such services to our customers on commercially acceptable terms. Although we believe we have maintained good relationships with China Telecom, China Unicom and China Mobile in the past, there can be no assurance that they will continue to provide the network services that our customers require on commercially acceptable terms at each of the data centers where we operate, if at all. In addition, if China Telecom, China Unicom or China Mobile increases the price of their network services, it would have a negative impact on the overall cost-effectiveness of data center services in China, which could cause our customers' demand for our services to decline and would materially and adversely affect our business and results of operations.

Our leases for self-developed data centers or our agreements for third-party data centers could be terminated early and we may not be able to renew our existing leases and agreements on commercially acceptable terms or our rent or payment under the agreements could increase substantially in the future, which could materially and adversely affect our operations.

Most of our data center operations are located in properties that we have entered into long-term operating leases. Such leases generally have ten to twenty year terms. In some instances, we may negotiate an option to purchase the leased premises and facilities according to the terms and conditions under the relevant lease agreements. However, upon the expiration of such leases, we may not be able to renew these leases on commercially reasonable terms, if at all. Under certain lease agreements, the lessor may terminate the agreement by giving prior notice and paying default penalties to us. However, such default penalties may not be sufficient to cover our losses. Even though the lessors for most of our data centers generally do not have the right of unilateral early termination unless they provide the required notice, the lease may nonetheless be terminated early if we are in material breach of the lease agreements. We may assert claims for compensation against the landlords if they elect to terminate a lease agreement early and without due cause. If the leases for our data centers were terminated early prior to their expiration date, notwithstanding any compensation we may receive for early termination of such leases, or if we are not able to renew such leases, we may have to incur significant cost related to relocation. In addition, we have entered into two lease agreements with parties who have not produced evidence of proper legal title of the premises, and although we may seek damages from such parties, such leases may be void and we may be forced to relocate. Two of our data centers are located in properties that are already mortgaged to third parties before the commencement of the lease. If such third parties claim their rights on the mortgaged properties in case of default or breach under the principal debt by the lessors or other relevant parties, we may not be able to protect our leasehold interest and may be ordered to vacate the affected premises. Any relocation could also affect our ability to provide continuous uninterrupted services to our customers and harm our reputation. As a result, our business and results of operations could be materially and adversely affected.

Furthermore, certain portions of our data center operations are located in third-party data centers that we lease from wholesale data center providers. Our agreements with third parties are typically three years but may also be up to ten years. Under some of such agreements, we have the right of first refusal to renew the agreements subject to mutual agreement with the third parties. Some of such agreements allow the third parties to terminate the agreements early, subject to a notification period requirement and the payment of a pre-determined termination fee, which in some cases may not be sufficient to cover any direct and indirect losses we might incur as a result. Although historically we have successfully renewed all agreements we wanted to renew, and we do not believe that any of our agreements will be terminated early in the future, there can be no assurance that the counterparties will not terminate any of our agreements prior to its expiration date. We plan to renew our existing agreements with third parties upon expiration or migrate our operations to the data centers leased or owned by our company. However, we may not be able to renew these agreements on commercially acceptable terms, if at all, or the space in data centers that we lease or own may not be adequate for us to relocate such operations, and we may experience an increase in our payments under such agreements. Any adverse change to our ability to exert operational control over any of the data center facilities we operate could have a material adverse effect on our ability to operate these data center facilities at the standards required for us to meet our service level commitments to our customers.

We generate significant revenue from data centers located in only a few locations and a significant disruption to any location could materially and adversely affect our operations

We generate significant revenue from data centers located in only a few locations and a significant disruption to any single location could materially and adversely affect our operations. As of the date of this prospectus, the majority of our self-built data centers were located in close proximity to the central

business districts of Shanghai, Beijing, Shenzhen, Guangzhou and Chengdu. The occurrence of a catastrophic event, or a prolonged disruption in any of these regions, could materially and adversely affect our operations.

Our net revenue is highly dependent on a limited number of customers, and the loss of, or any significant decrease in business from, any one or more of our major customers could adversely affect our financial condition and results of operations.

We consider our customer to be the end user of our data center services. We may enter into contracts directly with our end user customer or through an intermediate contracting party. See "Business—Our Customers." We have in the past derived, and believe that we will continue to derive, a significant portion of our net revenue from a limited number of customers. We had one end user customer that generated 26.8% of our total net revenue in 2014 and two end user customers that generated 20.1% and 10.3% of our total net revenue, respectively, in 2015. No other end user customer accounted for 10% or more of our total net revenue during those years. We expect our net revenue will continue to be highly dependent on a limited number of end user customers who account for a large percentage of our total area committed. As of December 31, 2015, we had two end user customers who accounted for 40.8% and 15.9%, respectively, of our total area committed. No other end user customer accounted for 10% or more of total area committed. In addition, if there are delays in the move in of these customers, where the net floor area they are committed to are not utilized as expected, then our net revenue and results of operations would be materially and adversely affected.

There are a number of factors that could cause us to lose major customers. Because many of our contracts involve services that are mission-critical to our customers, any failure by us to meet a customer's expectations could result in cancellation or non-renewal of the contract. Our service agreements usually allow our customers to terminate their agreements with us before the end of the contract period under certain specified circumstances, including our failure to deliver services as required under such agreements, and in some cases without cause as long as sufficient notice is given. In addition, our customers may decide to reduce spending on our services due to a challenging economic environment or other factors, both internal and external, relating to their business such as corporate restructuring or changing their outsourcing strategy by moving more facilities in-house or outsourcing to other service providers. Furthermore, our customers, some of who have experienced rapid changes in their business, substantial price competition and pressures on their profitability, may demand price reductions or reduce the scope of services to be provided by us, any of which could reduce our profitability. In addition, our reliance on any individual customer for a significant portion of our net revenue may give that customer a degree of pricing leverage against us when negotiating contracts and terms of services with us.

The loss of any of our major customers, or a significant decrease in the extent of the services that they outsource to us or the price at which we sell our services to them, could materially and adversely affect our financial condition and results of operations.

If we are unable to meet our service level commitments, our reputation and results of operation could suffer.

Most of our customer contracts provide that we maintain certain service level commitments to our customers. If we fail to meet our service level commitments, we may be contractually obligated to pay the affected customer a financial penalty, which varies by contract, and the customer may in some cases be able to terminate its contract. Although we have not had to pay any material financial penalties for failing to meet our service level commitments in the past, there is no assurance that we will be able to meet all of our service level commitments in the future and that no material financial penalties may be imposed. In

addition, if such a failure were to occur, there can be no assurance that our customers will not seek other legal remedies that may be available to them, including:

- requiring us to provide free services;
- seeking damages for losses incurred; and
- cancelling or electing not to renew their contracts.

Any of these events could materially increase our expenses or reduce our net revenue, which would have a material adverse effect on our reputation and results of operations. Our failure to meet our commitments could also result in substantial customer dissatisfaction or loss. As a result of such customer loss and other potential liabilities, our net revenue and results of operations could be materially and adversely affected.

Our customer base may decline if our customers or potential customers develop their own data centers or expand their own existing data centers.

Some of our customers may develop their own data center facilities. Other customers with their own existing data centers may choose to expand their data center operations in the future. In the event that any of our key customers were to develop or expand their data centers, we may lose business or face pressure as to the pricing of our services. Although we believe that the trend is for companies in China to outsource their data center facilities and operations to colocation data center service providers, there can be no assurance that this trend will continue. In addition, if we fail to offer services that are cost-competitive and operationally advantageous as compared with services provided in-house by our customers, we may lose customers or fail to attract new customers. If we lose a customer, there is no assurance that we would be able to replace that customer at the same or a higher rate, or at all, and our business and results of operations would suffer.

We may be unable to achieve high contract renewal rates.

We seek to renew customer contracts when those contracts are due for renewal. We endeavor to provide high levels of customer service, support, and satisfaction to maintain long-term customer relationships and to secure high rates of contract renewals for our services. Nevertheless, we cannot assure you that we will be able to renew service contracts with our existing customers or re-commit space relating to expired service contracts to new customers if our current customers do not renew their contracts. In the event of a customer's termination or non-renewal of expired contracts, our ability to enter into services contracts so that new or other existing customers utilize the expired existing space in a timely manner will impact our results of operations. Our quarterly churn rate, which we define as the ratio of quarterly service revenue from contracts which terminated or expired without renewal during the quarter to the total quarterly service revenue for the preceding quarter, averaged 1.4% and 1.0% in 2014 and 2015, respectively.

If we do not succeed in attracting new customers for our services and/or growing revenue from existing customers, we may not achieve our revenue growth goals.

We have been expanding our customer base to cover a range of industry verticals, particularly cloud service providers. Our ability to attract new customers, as well as our ability to grow revenue from our existing customers, depends on a number of factors, including our ability to offer high-quality services at competitive prices, the strength of our competitors and the capabilities of our marketing and sales teams to attract new customers. If we fail to attract new customers, we may not be able to grow our net revenue as quickly as we anticipate or at all.

As our customer base grows and diversifies into other industries, we may be unable to provide customers with services that meet the specific demand of such customers or their industries, or with

quality customer support, which could result in customer dissatisfaction, decreased overall demand for our services and loss of expected revenue. In addition, our inability to meet customer service expectations may damage our reputation and could consequently limit our ability to retain existing customers and attract new customers, which would adversely affect our ability to generate revenue and negatively impact our results of operations.

Customers who rely on us for the colocation of their servers, the infrastructure of their cloud systems, and management of their IT and cloud operations could potentially sue us for their lost profits or damages if there are disruptions in our services, which could impair our financial condition.

As our services are critical to many of our customers' business operations, any significant disruption in our services could result in lost profits or other indirect or consequential damages to our customers. Although our customer contracts typically contain provisions attempting to limit our liability for breach of the agreement, including failing to meet our service level commitments, there can be no assurance that a court would enforce any contractual limitations on our liability in the event that one of our customers brings a lawsuit against us as the result of a service interruption that they may ascribe to us. The outcome of any such lawsuit would depend on the specific facts of the case and any legal and policy considerations that we may not be able to mitigate. In such cases, we could be liable for substantial damage awards. Since we do not carry liability insurance coverage, such damage awards could seriously impair our financial condition.

Our customers operate in a limited number of industries, particularly in the Internet and financial services industries. Factors that adversely affect these industries or information technology spending in these industries may adversely affect our business.

Our customers operate in a limited number of industries, particularly in the Internet and financial services industries. As of December 31, 2015, end user customers from the Internet and financial services industries accounted for 65.1% and 21.7% of our total area committed, respectively. Our business and growth depends on continued demand for our services from our current and potential customers in the Internet and financial services industries. Demand for our services, and technology services in general, in any particular industry could be affected by multiple factors outside of our control, including a decrease in growth or growth prospects of the industry, a slowdown or reversal of the trend to outsource information technology operations, or consolidation in the industry. In addition, serving a major customer within a particular industry may effectively preclude us from seeking or obtaining engagements with direct competitors of that customer if there is a perceived conflict of interest. Any significant decrease in demand for our services by customers in these industries, or other industries from which we derive significant net revenue in the future, may reduce the demand for our services.

We enter into fixed-price contracts with many customers, and our failure to accurately estimate the resources and time required for the fulfillment of our obligations under these contracts could negatively affect our results of operations.

Our data center services are generally provided on a fixed-price basis that requires us to undertake significant projections and planning related to resource utilization and costs. Although our past project experience helps to reduce the risks associated with estimating, planning and performing fixed-price contracts, we bear the risk of failing to accurately estimate our projected costs, including power costs as we may not accurately predict our customer's ultimate power usage once the contract is implemented, and failing to efficiently utilize our resources to deliver our services, and there can be no assurance that we will be able to reduce the risk of estimating, planning and performing our contracts. Any failure to accurately estimate the resources and time required for a project, or any other factors that may impact our costs, could adversely affect our profitability and results of operations.

Our customer contract commitments are subject to reduction and potential cancellation.

Many of our customer contracts allow for early termination, subject to payment of specified costs and penalties, which are usually less than the revenues we would expect to receive under such contracts. Our customer contract commitments could significantly decrease if any of the customer contracts is terminated either pursuant to, or in violation of, the terms of such contract. In addition, our customer contract commitments during a particular future period may be reduced for reasons outside of our customers' control, such as general current economic conditions. If our customer contract commitments are significantly reduced, our results of operations and the price of our ADSs could be materially and adversely affected.

Even if our current and future customers have entered into a binding contract with us, they may choose to terminate such contract prior to the expiration of its terms. Any penalty for early termination may not adequately compensate us for the time and resources we have expended in connection with such contract, or at all, which could have a material adverse effect on our results of operations and cash flows.

We may not be able to compete effectively against our current and future competitors.

We offer a broad range of data center services and, as a result, we may compete with a wide range of data center service providers for some or all of the services we offer.

We face competition from the state-owned telecommunications carriers, namely China Telecom, China Unicom and China Mobile, as well as other domestic and international carrier-neutral data center service providers. Our current and future competitors may vary by size and service offerings and geographic presence. See "Business—Competition."

Competition is primarily centered on reputation and track record, quality and availability of data center space, quality of service, technical expertise, security, reliability, functionality, breadth and depth of services offered, geographic coverage, financial strength and price. Some of our current and future competitors may have greater brand recognition, marketing, technical and financial resources than we do. As a result, some of our competitors may be able to:

- bundle colocation services with other services or equipment they provide at reduced prices;
- develop superior products or services, gain greater market acceptance, and expand their service offerings more efficiently or rapidly;
- adapt to new or emerging technologies and changes in customer requirements more quickly;
- take advantage of acquisition and other opportunities more readily; and
- adopt more aggressive pricing policies and devote greater resources to the promotion, marketing and sales of their services.

We operate in a competitive market, and we face pricing pressure for our services. Prices for our services are affected by a variety of factors, including supply and demand conditions and pricing pressures from our competitors. Although we offer a broad range of data center services, our competitors that specialize in only one of our services offerings may have competitive advantages in that offering. With respect to all of our colocation services, our competitors may offer such services at rates below current market rates or below the rates we currently charge our customers. With respect to both our colocation and managed services offerings, our competitors may offer services in a greater variety that are more sophisticated or that are more competitively priced than the services we offer. We may be required to lower our prices to remain competitive, which may decrease our margins and adversely affect our business prospects, financial condition and results of operations.

An oversupply of data center capacity could have a material adverse effect on us.

A buildup of new data centers or reduced demand for data center services could result in an oversupply of data center space in China's large commercial centers. Excess data center capacity could lower the value of data center services and limit the number of economically attractive markets that are available to us for expansion, which could negatively impact our business and results of operations.

Our failure to comply with regulations applicable to our leased data centers may materially and adversely affect our ability to use such data centers.

Among the data centers that we lease, including those under construction, a majority of the lease agreements have not been registered or filed with relevant authorities in accordance with the applicable PRC laws and regulations. The enforcement of this legal requirement varies depending on local practices. In case of failure to register or file a lease, the parties to the unregistered lease may be ordered to make rectifications (which would involve registering such leases with the relevant authority) before being subject to penalties. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. The law is not clear as to which of the parties, the lessor or the lessee, is liable for the failure to register the lease, and the lease agreements of several of our data centers provide that the lessor is responsible for processing the registration and must compensate us for losses caused by any breach of the obligation. Although we have proactively requested that the applicable lessors complete or cooperate with us to complete the registration in a timely manner, we are unable to control whether and when such lessors will do so. In the event that a fine is imposed on both the lessor and lessee, and if we are unable to recover from the lessor any fine paid by us in accordance with the terms of the lease agreement, such fine will be borne by us. In respect to one data center in Beijing, a portion of the property has been constructed without obtaining the building ownership certificate, and the part of the lease in relation to such portion may be deemed invalid if the construction has not been duly approved by the government, in which event we would not be able to use that portion of property. In respect of some data centers, the usage of leased properties for data center purposes may be deemed to be inconsistent with the designated usage as stated under the building ownership certificates. If the owners fail to obtain the necessary consents and/or to comply with the applicable legal requirements for the change of usage of these premises, and the relevant authority or the court orders us to use the relevant leased properties for the designated usage only, we may not be able to continue to use these properties for data center purposes and we may need relocate our operation there to other suitable premises. We may also be subject to administrative penalties for lack of fire safety approvals for renovation of the leased premises, and we may be ordered to suspend operations at applicable premises if we fail to timely cure any such defect. Renovation of certain other of our data centers was carried out without obtaining construction related permits, and certain leased premises were put into use without fulfillment of construction inspection and acceptance procedures, which may cause administrative penalties to be incurred, and may cause the use of the leased premises to be deemed illegal, and we may be forced to suspend our operations as a result. See also "—Risks Related to Doing Business in the People's Republic of China—Our business operations are extensively impacted by the policies and regulations of the PRC Government. Any policy or regulatory change may cause us to incur significant compliance costs."

We cannot assure you that we will be able to relocate such operations to suitable alternative premises, and any such relocation may result in disruption to our business operations and thereby result in loss of earnings. We may also need to incur additional costs for the relocation of our operation. There is also no assurance that we will be able to effectively mitigate the possible adverse effects that may be caused by such disruption, loss or costs. Any of such disruption, loss or costs could materially and adversely affect our financial condition and results of operations.

Our failure to maintain our relationships with various cloud service providers may adversely affect our cloud-related services, and as a result, our business, operating results and financial condition.

Our cloud managed services involve providing services to the customers of cloud service providers. If we do not maintain good relationships with cloud service providers, our business could be negatively affected. If these cloud service providers fail to perform as required under our agreements for any reason or suffer service level interruptions or other performance issues, or if our customers are less satisfied than expected with the services provided or results obtained, we may not realize the anticipated benefits of these relationships.

Since our agreements with key cloud service providers in China are non-exclusive, these companies may decide in the future to partner with more of our competitors or they may decide to terminate their agreements with us, any of which could adversely and materially affect our business expansion plan and expected growth.

Our data center infrastructure may become obsolete or unmarketable and we may not be able to upgrade our power, cooling, security or connectivity systems cost-effectively or at all.

The markets for the data centers we own and operate, as well as certain of the industries in which our customers operate, are characterized by rapidly changing technology, evolving industry standards, frequent new service introductions, shifting distribution channels and changing customer demands. As a result, the infrastructure at our data centers may become obsolete or unmarketable due to demand for new processes and/or technologies, including, without limitation: (i) new processes to deliver power to, or eliminate heat from, computer systems; (ii) customer demand for additional redundancy capacity; (iii) new technology that permits higher levels of critical load and heat removal than our data centers are currently designed to provide; and (iv) an inability of the power supply to support new, updated or upgraded technology. In addition, the systems that connect our self-developed data centers, and in particular, our third-party data centers, to the Internet and other external networks may become outdated, including with respect to latency, reliability and diversity of connectivity. When customers demand new processes or technologies, we may not be able to upgrade our data centers on a cost-effective basis, or at all, due to, among other things, increased expenses to us that cannot be passed on to customers or insufficient revenue to fund the necessary capital expenditures. The obsolescence of our power and cooling systems and/or our inability to upgrade our data centers, including associated connectivity, could reduce revenue at our data centers and could have a material adverse effect on us. Furthermore, potential future regulations that apply to industries we serve may require customers in those industries to seek specific requirements from their data centers that we are unable to provide. If such regulations were adopted, we could lose customers or be unable to attract new customers in certain industries, which could have a material adverse effect on us.

If we are unable to adapt to evolving technologies and customer demands in a timely and cost-effective manner, our ability to sustain and grow our business may suffer.

To be successful, we must adapt to our rapidly changing market by continually improving the performance, features and reliability of our services and modifying our business strategies accordingly, which could cause us to incur substantial costs. We may not be able to adapt to changing technologies in a timely and cost-effective manner, if at all, which would adversely impact our ability to sustain and grow our business.

In addition, new technologies have the potential to replace or provide lower cost alternatives to our services. The adoption of such new technologies could render some or all of our services obsolete or unmarketable. We cannot guarantee that we will be able to identify the emergence of all of these new service alternatives successfully, modify our services accordingly, or develop and bring new services to market in a timely and cost-effective manner to address these changes. If and when we do identify the

emergence of new service alternatives and introduce new services to market, those new services may need to be made available at lower profit margins than our then-current services. Failure to provide services to compete with new technologies or the obsolescence of our services could lead us to lose current and potential customers or could cause us to incur substantial costs, which would harm our operating results and financial condition. Our introduction of new alternative services that have lower price points than our current offerings may also result in our existing customers switching to the lower cost products, which could reduce our net revenue and have a material adverse effect on our results of operation.

We have limited ability to protect our intellectual property rights, and unauthorized parties may infringe upon or misappropriate our intellectual property.

Our success depends in part upon our proprietary intellectual property rights, including certain methodologies, practices, tools and technical expertise we utilize in designing, developing, implementing and maintaining applications and processes used in providing our services. We rely on a combination of copyright, trademark, trade secrets and other intellectual property laws, non-disclosure agreements with our employees, customers and other relevant persons and other measures to protect our intellectual property, including our brand identity. Nevertheless, it may be possible for third parties to obtain and use our intellectual property without authorization. The unauthorized use of intellectual property is common in China and enforcement of intellectual property rights by PRC regulatory agencies is inconsistent. As a result, litigation may be necessary to enforce our intellectual property rights. Litigation could result in substantial costs and diversion of our management's attention and resources, and could disrupt our business, as well as have a material adverse effect on our financial condition and results of operations. Given the relative unpredictability of China's legal system and potential difficulties in enforcing a court judgment in China, there is no guarantee that we would be able to halt any unauthorized use of our intellectual property in China through litigation.

We may be subject to third-party claims of intellectual property infringement.

We derive most our revenues in China and use , our figure trademark, in a majority of our services. We have registered or are in the process of registering the figure trademark in China in several categories that cover our services areas. A third party has also registered the pure text of "GDS" as a trademark in certain IT-related services. As the services for which the third party trademark is registered are also IT-related and could be construed as similar to ours in some respects, infringement claims may be asserted against us, and we cannot assure you that a government authority or a court will hold the view that such similarity will not cause confusion in the market. In this case, if we use the pure text of GDS (which we have not registered as a trademark with respect to all services we provide) as our trademark, we may be required to explore the possibility of acquiring this trademark, or entering into an exclusive licensing agreement with the third party, which will cause us to incur additional costs. In addition, we may be unaware of intellectual property registrations or applications that purport to relate to our services, which could give rise to potential infringement claims against us. Parties making infringement claims may be able to obtain an injunction to prevent us from delivering our services or using trademark or technology containing the allegedly intellectual property. If we become liable to third parties for infringing upon their intellectual property rights, we could be required to pay a substantial damage award. We may also be subject to injunctions that require us to alter our processes or methodologies so as not to infringe upon a third party's intellectual property, which may not be technically or commercially feasible and may cause us to expend significant resources. Any claims or litigation in this area, whether we ultimately win or lose, could be time-consuming and costly, could cause the diversion of management's attention and resources away from the operations of our business and could damage our reputation.

If our customers' proprietary intellectual property or confidential information is misappropriated or disclosed by us or our employees in violation of applicable laws and contractual agreements, we could be exposed to protracted and costly legal proceedings and lose clients.

We and our employees are in some cases provided with access to our customers' proprietary intellectual property and confidential information, including technology, software products, business policies and plans, trade secrets and personal data. Many of our customer contracts require that we do not engage in the unauthorized use or disclosure of such intellectual property or information and that we will be required to indemnify our customers for any loss they may suffer as a result. We use security technologies and other methods to prevent employees from making unauthorized copies, or engaging in unauthorized use or unauthorized disclosure, of such intellectual property and confidential information. We also require our employees to enter into non-disclosure arrangements to limit access to and distribution of our customers' intellectual property and other confidential information as well as our own. However, the steps taken by us in this regard may not be adequate to safeguard our customers' intellectual property and confidential information. Moreover, most of our customer contracts do not include any limitation on our liability with respect to breaches of our obligation to keep the intellectual property or confidential information we receive from them confidential. In addition, we may not always be aware of intellectual property registrations or applications relating to source codes, software products or other intellectual property belonging to our customers. As a result, if our customers' proprietary rights are misappropriated by us or our employees, our customers may consider us liable for such act and seek damages and compensation from us.

Assertions of infringement of intellectual property or misappropriation of confidential information against us, if successful, could have a material adverse effect on our business, financial condition and results of operations. Protracted litigation could also result in existing or potential customers deferring or limiting their purchase or use of our services until resolution of such litigation. Even if such assertions against us are unsuccessful, they may cause us to lose existing and future business and incur reputational harm and substantial legal fees.

We rely on third-party suppliers for key elements of our network infrastructure and software.

We contract with third parties for the supply of hardware, such as servers and other equipment, that we use in the provision of our services to our customers and that we sell to our customers in some cases. The loss of a significant supplier could delay expansion of the data center facilities that we operate, impact our ability to sell our services and hardware and increase our costs. If we are unable to purchase the hardware or obtain a license for the software that our services depend on, our business could be significantly and adversely affected. In addition, if our suppliers are unable to provide products that meet evolving industry standards or that are unable to effectively interoperate with other products or services that we use, then we may be unable to meet all or a portion of our customer service commitments, which could materially and adversely affect our results of operations.

We engage third-party contractors to carry out various services relating to our data center facilities, including security services.

We engage third-party contractors to carry out various services relating to our data center facilities, including security services. We endeavor to engage third-party companies with a strong reputation and proven track record, high-performance reliability and adequate financial resources. However, any such third-party contractor may still fail to provide satisfactory security services at the level of quality required by us, resulting in inappropriate access to our facilities.

Any difficulties in identifying and consummating future acquisitions may expose us to potential risks and have an adverse effect on our business, results of operations or financial condition.

We may seek to make strategic acquisitions and enter into alliances to further expand our business. If we are presented with appropriate opportunities, we may acquire additional businesses, services, resources, or assets, including data centers, that are complementary to our core business. Our integration of the acquired entities or assets into our business may not be successful and may not enable us to expand into new services, customer segments or operating locations as well as we expect. This would significantly affect the expected benefits of these acquisitions. Moreover, the integration of any acquired entities or assets into our operations could require significant attention from our management. The diversion of our management's attention and any difficulties encountered in any integration process could have an adverse effect on our ability to manage our business. In addition, we may face challenges trying to integrate new operations, services and personnel with our existing operations. Our possible future acquisitions may also expose us to other potential risks, including risks associated with unforeseen or hidden liabilities, the diversion of resources from our existing businesses and technologies, our inability to generate sufficient revenue to offset the costs, expenses of acquisitions and potential loss of, or harm to, relationships with employees and customers as a result of our integration of new businesses. The occurrence of any of these events could have a material and adverse effect on our ability to manage our business, our financial condition and our results of operations.

The uncertain economic environment may have an adverse impact on our business and financial condition.

The uncertain economic environment could have an adverse effect on our liquidity. While we believe we have a strong customer base, if the current market conditions were to worsen, some of our customers may have difficulty paying us and we may experience increased churn in our customer base and reductions in their commitments to us. We may also be required to make allowances for doubtful accounts and our results would be negatively impacted. Our sales cycle could also be lengthened if customers reduce spending on, or delay decision-making with respect to, our services, which could adversely affect our revenue growth and our ability to recognize net revenue. We could also experience pricing pressure as a result of economic conditions if our competitors lower prices and attempt to lure away our customers with lower cost solutions. Finally, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to pursue additional expansion opportunities and maintain our desired level of revenue growth in the future.

Our success depends to a substantial degree upon our senior management, including Mr. William Wei Huang, and key personnel, and our business operations may be negatively affected if we fail to attract and retain highly competent senior management.

We depend to a significant degree on the continuous service of Mr. William Wei Huang, our founder, co-chairman and chief executive officer, and our experienced senior management team and other key personnel such as project managers and other middle management. If one or more members of our senior management team or key personnel resigns, it could disrupt our business operations and create uncertainty as we search for and integrate a replacement. If any member of our senior management leaves us to join a competitor or to form a competing company, any resulting loss of existing or potential clients to any such competitor could have a material adverse effect on our business, financial condition and results of operations. Additionally, there could be unauthorized disclosure or use of our technical knowledge, practices or procedures by such personnel. We have entered into employment agreements with our senior management and key personnel. We have also entered into confidentiality agreements with our personnel which contain nondisclosure covenants that survive indefinitely as to our trade secrets. Additionally, pursuant to these confidentiality agreements, any inventions and creations of our employees relating to the company's business that are completed within twelve months after termination of employment shall be transferred to the company without payment of consideration, and the employees shall assist the company

in applying for corresponding patents or other rights. However, these employment agreements do not ensure the continued service of these senior management and key personnel, and we may not be able to enforce the confidentiality agreements we have with our personnel. In addition, we do not maintain key man life insurance for any of the senior members of our management team or our key personnel.

Competition for employees is intense, and we may not be able to attract and retain the qualified and skilled employees needed to support our business.

We believe our success depends on the efforts and talent of our employees, including data center design, construction management, operations, engineering, IT, risk management, and sales and marketing personnel. Our future success depends on our continued ability to attract, develop, motivate and retain qualified and skilled employees. Competition for highly skilled personnel is extremely intense. We may not be able to hire and retain these personnel at compensation levels consistent with our existing compensation and salary structure. Some of the companies with which we compete for experienced employees have greater resources than we have and may be able to offer more attractive terms of employment.

In addition, we invest significant time and expenses in training our employees, which increases their value to competitors who may seek to recruit them. If we fail to retain our employees, we could incur significant expenses in hiring and training their replacements, and the quality of our services and our ability to serve our customers could diminish, resulting in a material adverse effect to our business.

Our operating results may fluctuate, which could make our future results difficult to predict, and may fall below investor or analyst expectations.

Our operating results may fluctuate due to a variety of factors, including many of the risks described in this section, which are outside of our control. You should not rely on our operating results for any prior periods as an indication of our future operating performance. Fluctuations in our net revenue can lead to even greater fluctuations in our operating results. Our budgeted expense levels depend in part on our expectations of long-term future net revenue. Given relatively large fixed cost of revenue for services, other than utility costs, any substantial adjustment to our costs to account for lower than expected levels of net revenue will be difficult. Consequently, if our net revenue does not meet projected levels, our operating performance will be negatively affected. If our net revenue or operating results do not meet or exceed the expectations of investors or securities analysts, the price of our ADSs may decline.

Declining fixed asset valuations could result in impairment charges, the determination of which involves a significant amount of judgment on our part. Any impairment charge could have a material adverse effect on us.

We review our fixed assets for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indicators of impairment include, but are not limited to, a sustained significant decrease in the market price of or the cash flows expected to be derived from a property. A significant amount of judgment is involved in determining the presence of an indicator of impairment. If the total of the expected undiscounted future cash flows is less than the carrying amount of a property on our balance sheet, a loss is recognized for the difference between the fair value and carrying value of the asset. The evaluation of anticipated cash flows requires a significant amount of judgment regarding assumptions that could differ materially from actual results in future periods, including assumptions regarding future occupancy, contract rates and estimated costs to service the contracts. Any impairment charge could have a material adverse effect on us.

Failure to commence or resume development of land that we have been granted right to use within the required timeframe may subject us to default liabilities under land use right grant contracts and cause us to lose such land use rights.

We have two parcels of land, one in Chengdu and one in Kunshan, over which we have obtained land use rights, but which may be treated as "idle land" by the respective local government authorities. According to the relevant PRC regulations, the PRC government may impose an "idle land fee" equal to 20% of the land premium on land user if the relevant construction land has been identified as "idle land". The construction land may be identified as "idle land" under any of the following circumstances: (i) where development of and construction on the land fail to commence for more than one year from the construction commencement date prescribed in the land grant contract; or (ii) the development and construction on the land have commenced but have been suspended when the area of the developed land is less than one-third of the total area to be developed or the invested amount is less than 25% of the total amount of investment, and the suspension of development attains one year. Furthermore, the PRC government has the authority to confiscate any land without compensation if the construction does not commence within two years after the construction commencement date specified in the land grant contract, unless the delay is caused by force majeure, governmental action or preliminary work necessary for the commencement of construction.

As of the date of this prospectus, (i) we have not commenced development of one parcel of the land in Kunshan, which was to commence in December 2012; and (ii) we suspended the development of one parcel of the land in Chengdu after completion of the construction of the existing buildings thereon in November 2010 and have not resumed development of such parcel of land, and upon such suspension, the area of the developed land was less than one-third of the total land area. Therefore, the PRC government may treat such two parcels of land as idle lands, in which case we may be required to pay idle land fees or penalties, change the planned use of the land, find another parcel of land, or even be required to forfeit the land to PRC government. We may further be subject to penalties for breach of relevant land use right grant contracts and be required to pay damages.

We have not been subject to any penalties or required to forfeit any land as a result of failing to commence or resume development pursuant to the relevant land grant contract. However, we cannot assure you that we will not be subject to penalties as a result of any failure to commence development in accordance with the relevant land grant contract. If this occurs, our financial condition and results of operations could be materially and adversely affected.

We may experience impairment of goodwill in connection with our acquisition of entities or other assets.

We are required to perform an annual goodwill impairment test. For example, in connection with acquiring EDC Holding in June 2014, we recorded a substantial amount of goodwill in our consolidated financial statements. As of December 31, 2015, we carried RMB1,294.7 million (US\$199.9 million) of goodwill on our balance sheet. However, goodwill can become impaired. We test goodwill for impairment annually or more frequently if events or changes in circumstances indicate possible impairment, but the fair value estimates involved require a significant amount of difficult judgment and assumptions. Our actual results may differ materially from our projections, which may result in the need to recognize impairment of some or all of the goodwill we recorded.

We are subject to China's anti-corruption laws and upon the completion of this offering, will be subject to the U.S. Foreign Corrupt Practices Act. Our failure to comply with these laws could result in penalties, which could harm our reputation and have an adverse effect on our business, results of operations and financial condition.

We operate our business in China and are thus subject to PRC laws and regulations related to anti-corruption, which prohibit bribery to government agencies, state or government owned or controlled enterprises or entities, to government officials or officials that work for state or government owned enterprises or entities, as well as bribery to non-government entities or individuals. Upon the completion of

this offering, we will also be subject to the U.S. Foreign Corrupt Practices Act, or the FCPA, which generally prohibits companies and any individuals or entities acting on their behalf from offering or making improper payments or providing benefits to foreign officials for the purpose of obtaining or keeping business, along with various other anti-corruption laws. Our existing policies prohibit any such conduct and we are in the process of implementing additional policies and procedures designed, and providing training, to ensure that we, our employees, business partners and other third parties comply with PRC anti-corruption laws and regulations, the FCPA and other anti-corruption laws to which we are subject. There is, however, no assurance that such policies or procedures will work effectively all the time or protect us against liability under the FCPA or other anti-corruption laws. There is no assurance that our employees, business partners and other third parties would always obey our policies and procedures. Further, there is discretion and interpretation in connection with the implementation of PRC anti-corruption laws. We could be held liable for actions taken by our employees, business partners and other third parties with respect to our business or any businesses that we may acquire. We operate in the data center services industry in China and generally purchase our colocation facilities and telecommunications resources from state or government-owned enterprises and sell our services domestically to customers that include state or government-owned enterprises or government ministries, departments and agencies. This puts us in frequent contact with persons who may be considered "foreign officials" under the FCPA, resulting in an elevated risk of potential FCPA violations. If we are found not to be in compliance with PRC anti-corruption laws, the FCPA and other applicable anti-corruption laws governing the conduct of business with government entities, officials or other business counterparties, we may be subject to criminal, administrative, and civil penalties and other remedial measures, which could have an adverse impact on our business, financial condition and results of operations. Any investigation of any potential violations of the FCPA or other anti-corruption laws by U.S. or foreign authorities, including Chinese authorities, could adversely impact our reputation, cause us to lose customer sales and access to colocation facilities and telecommunications resources, and lead to other adverse impacts on our business, financial condition and results of operations.

We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.

On May 12, 2008 and April 14, 2010, severe earthquakes hit part of Sichuan province in southeastern China and part of Qinghai province in western China, respectively, resulting in significant casualties and property damage. While we did not suffer any loss or experience any significant increase in cost resulting from these earthquakes, if a similar disaster were to occur in the future that affected Shanghai, Beijing, Shenzhen, Guangzhou, Chengdu or another city where we have data centers or are in the process of developing data centers, our operations could be materially and adversely affected due to loss of personnel and damages to property. In addition, a similar disaster affecting a larger, more developed area could also cause an increase in our costs resulting from the efforts to resurvey the affected area. Even if we are not directly affected, such a disaster could affect the operations or financial condition of our customers and suppliers, which could harm our results of operations.

In addition, our business could be materially and adversely affected by natural disasters or public health emergencies, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus, Ebola virus, or another epidemic. If any of our employees is suspected of having contracted any contagious disease, we may under certain circumstances be required to quarantine such employees and the affected areas of our premises. Therefore, we may have to temporarily suspend part of or all of our operations. Furthermore, any future outbreak may restrict economic activities in affected regions, resulting in temporary closure of our offices or prevent us and our customers from traveling. Such closures could severely disrupt our business operations and adversely affect our results of operations.

If we fail to maintain proper and effective internal controls, our ability to produce accurate financial statements on a timely basis could be impaired.

We will be subject to the reporting requirements of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act and the rules and regulations of the [NYSE/NASDAQ] after the completion of this offering. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal controls over financial reporting. Commencing with our fiscal year ending December 31, 2017, we must perform system and process evaluation and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting in our Form 20-F filing for that year, as required by Section 404 of the Sarbanes-Oxley Act. In addition, once we cease to be an "emerging growth company" as the term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. This will require that we incur substantial additional professional fees and internal costs to expand our accounting and finance functions and that we expend significant management efforts. Prior to this offering, we were never required to test our internal controls within a specified period, and, as a result, we may experience difficulty in meeting these reporting requirements in a timely manner. Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. Our management has not completed an assessment of the effectiveness of our internal control over financial reporting and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting.

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

If we are not able to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, or if we are unable to maintain proper and effective internal controls, we may not be able to produce timely and accurate financial statements. If that were to happen, the market price of our ADSs could decline and we could be subject to sanctions or investigations by the [NYSE/NASDAQ], SEC or other regulatory authorities.

Compliance with rules and requirements applicable to public companies may cause us to incur increased costs, which may negatively affect our results of operations.

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC and the [NYSE/NASDAQ], have required changes in corporate governance practices of public companies. We expect these rules and regulations to increase our legal, accounting and financial compliance costs and to make certain corporate activities more time-consuming and costly. Complying with these rules and requirements may be especially difficult and costly for us because we may have difficulty locating sufficient personnel in China with experience and expertise relating to U.S. GAAP and U.S. public company reporting requirements, and such personnel may command higher salaries relative to what similarly experienced personnel would command in the United States. If we cannot employ sufficient personnel to ensure compliance with these rules and regulations, we may need to rely more on outside legal, accounting and financial experts, which may be expensive. In addition, we will incur additional costs associated with our public company reporting requirements. We are evaluating and monitoring developments with respect to these new rules, and we cannot predict or estimate the amount of additional costs we may incur or the timing of such costs.

Risks Related to Our Corporate Structure

If the PRC government deems that the contractual arrangements in relation to GDS Shanghai or GDS Beijing do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests in those operations.

The PRC government regulates telecommunications-related businesses through strict business licensing requirements and other government regulations. These laws and regulations also include limitations on foreign ownership of PRC companies that engage in telecommunications-related businesses. Specifically, foreign investors are not allowed to own more than a 50% equity interest in any PRC company engaging in value-added telecommunications businesses, with certain exceptions relating to e-commerce which does not apply to us. Any such foreign investor must also have experience and a good track record in providing value-added telecommunications services overseas.

Because we are a Cayman Islands company, we are classified as a foreign enterprise under PRC laws and regulations, and our wholly owned PRC subsidiaries, GDS Management Company, Shenzhen Yungang EDC Technology Co., Ltd., Beijing Wanguo Shu'an Science & Technology Development Co., Ltd., Beijing Hengpu'an Data Technology Development Co., Ltd., Guojin Technology (Kunshan) Co., Ltd., Shanghai Yungang EDC Technology Co., Ltd., Shenzhen Pingshan New Area Global Data Science & Technology Development Co., Ltd., EDC Technology (Suzhou) Co., Ltd., EDC (Chengdu) Industry Co., Ltd., Shanghai Waigaoqiao EDC Technology Co., Ltd. and EDC Technology (Kunshan) Co., Ltd., are foreign-invested enterprises, or FIEs. To comply with PRC laws and regulations, we conduct our business in China through contractual arrangements with our consolidated VIEs and their shareholders. These contractual arrangements provide us with effective control over our consolidated VIEs and enable us to receive substantially all of the economic benefits of our consolidated VIEs in consideration for the services provided by our wholly-owned PRC subsidiaries, and have an exclusive option to purchase all of the equity interest in our consolidated VIEs when permissible under PRC laws. For a description of these contractual arrangements, see "Our History and Corporate Structure—Variable Interest Entity Contractual Arrangements."

We believe that our corporate structure and contractual arrangements comply with the current applicable PRC laws and regulations. Our PRC legal counsel, based on its understanding of the relevant laws and regulations, is of the opinion that each of the contracts among our wholly-owned PRC subsidiaries, our consolidated VIEs and their shareholders is valid, binding and enforceable in accordance with its terms. However, as there are substantial uncertainties regarding the interpretation and application of PRC laws and regulations, including the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, the telecommunications circular described above and the Telecommunications Regulations and the relevant regulatory measures concerning the telecommunications industry, there can be no assurance that the PRC government, such as MOFCOM or MIIT or other authorities that regulates providers of data center service and other participants in the telecommunications industry would agree that our corporate structure or any of the above contractual arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. PRC laws and regulations governing the validity of these contractual arrangements are uncertain and the relevant government authorities have broad discretion in interpreting these laws and regulations.

If our corporate and contractual structure is deemed by the Ministry of Industry and Information Technology, or the MIIT, or the Ministry of Commerce, or the MOFCOM, or other regulators having competent authority, to be illegal, either in whole or in part, we may lose control of our consolidated VIEs and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that we can achieve this without material disruption to our business. Further, if our corporate

and contractual structure is found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations, including:

- revoking our business and operating licenses;
- levying fines on us;
- confiscating any of our income that they deem to be obtained through illegal operations;
- shutting down a portion or all of our networks and servers;
- discontinuing or restricting our operations in China;
- imposing conditions or requirements with which we may not be able to comply;
- requiring us to restructure our corporate and contractual structure;
- restricting or prohibiting our use of the proceeds from overseas offering to finance our PRC consolidated VIEs' business and operations; and
- taking other regulatory or enforcement actions that could be harmful to our business.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and contractual arrangements. See "—Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law, and its enactment may materially and adversely affect our business and financial condition." Occurrence of any of these events could materially and adversely affect our business, financial condition and results of operations. In addition, if the imposition of any of these penalties or requirement to restructure our corporate structure causes us to lose the rights to direct the activities of our consolidated VIEs or our right to receive their economic benefits, we would no longer be able to consolidate in our consolidated financial statements such VIEs. However, we do not believe that such actions would result in the liquidation or dissolution of our company, our wholly-owned subsidiaries in China or our consolidated VIEs or their subsidiaries. For the years ended December 31, 2014 and 2015, our consolidated VIEs contributed 2.0% and 4.3% of our total net revenue. However, following our restructuring, we expect that, going forward, substantially all of our net revenue will be generated from our consolidated VIEs as we shift the revenue-generating aspects of our business to our consolidated VIEs in connection with the restructuring described in this prospectus. See "Our History and Corporate Structure."

Our contractual arrangements with our consolidated VIEs may result in adverse tax consequences to us.

We could face material and adverse tax consequences if the PRC tax authorities determine that our contractual arrangements with our consolidated VIEs were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could adversely affect us by (i) increasing the tax liabilities of our consolidated VIEs without reducing the tax liability of our subsidiaries, which could further result in late payment fees and other penalties to our consolidated VIEs for underpaid taxes; or (ii) limiting the ability of our consolidated VIEs to obtain or maintain preferential tax treatments and other financial incentives.

We rely on contractual arrangements with our consolidated VIEs and their shareholders for our China operations, which may not be as effective as direct ownership in providing operational control and otherwise have a material adverse effect as to our business.

We rely on contractual arrangements with our consolidated VIEs and their shareholders to operate our business in China. For a description of these contractual arrangements, see "Our History and Corporate Structure—Variable Interest Entity Contractual Arrangements." In 2014 and 2015, 2.0% and 4.3% of our total net revenue, respectively, are attributed to our consolidated VIEs, and we expect this proportion to increase going forward as we shift the revenue-generating aspects of our business to our consolidated VIEs

in connection with the restructuring described in this prospectus. See "Our History and Corporate Structure." These contractual arrangements may not be as effective as direct ownership in providing us with control over our consolidated VIEs. If our consolidated VIEs or their shareholders fail to perform their respective obligations under these contractual arrangements, our recourse to the assets held by our consolidated VIEs is indirect and we may have to incur substantial costs and expend significant resources to enforce such arrangements in reliance on legal remedies under PRC law. These remedies may not always be effective, particularly in light of uncertainties in the PRC legal system. Furthermore, in connection with litigation, arbitration or other judicial or dispute resolution proceedings, assets under the name of any of record holder of equity interest in our consolidated VIEs, including such equity interest, may be put under court custody. As a consequence, we cannot be certain that the equity interest will be disposed pursuant to the contractual arrangement or ownership by the record holder of the equity interest.

All of these contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC laws and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in other jurisdictions, such as the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these contractual arrangements. In the event that we are unable to enforce these contractual arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing these contractual arrangements, it would be very difficult to exert effective control over our consolidated VIEs, and our ability to conduct our business and our financial conditions and results of operation may be materially and adversely affected. See "—Risks Related to Doing Business in the People's Republic of China—There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations."

The shareholders of our consolidated VIEs may have potential conflicts of interest with us, which may materially and adversely affect our business and financial condition.

In connection with our operations in China, we rely on the shareholders of our consolidated VIEs to abide by the obligations under such contractual arrangements. In particular, GDS Shanghai is 99.90% owned by William Wei Huang, our co-chairman and chief executive officer, and 0.10% owned by Qiuping Huang, and GDS Beijing is approximately 99.97% owned by William Wei Huang, and approximately 0.03% owned by Qiuping Huang. The interests of William Wei Huang and Qiuping Huang in their individual capacities as the shareholders of GDS Shanghai and GDS Beijing may differ from the interests of our company as a whole, as what is in the best interests of GDS Shanghai and GDS Beijing, including matters such as whether to distribute dividends or to make other distributions to fund our offshore requirement, may not be in the best interests of our company. There can be no assurance that when conflicts of interest arise, any or all of these individuals will act in the best interests of our company or that conflicts of interest will be resolved in our favor. In addition, these individuals may breach or cause our consolidated VIEs and their subsidiaries to breach or refuse to renew the existing contractual arrangements with us.

Currently, we do not have arrangements to address potential conflicts of interest the shareholders of GDS Shanghai and GDS Beijing may encounter, on one hand, and as a beneficial owner of our company, on the other hand; provided that we could, at all times, exercise our option under the exclusive call option agreements to cause them to transfer all of their equity ownership in GDS Shanghai and GDS Beijing to a PRC entity or individual designated by us as permitted by the then applicable PRC laws. In addition, if such conflicts of interest arise, we could also, in the capacity of attorney-in-fact of the then existing shareholders of GDS Shanghai and GDS Beijing as provided under the shareholder voting rights proxy agreements, directly appoint new directors of GDS Shanghai and GDS Beijing. We rely on the shareholders of our consolidated VIEs to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to our company and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman Islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith

with a view to our best interests. However, the legal frameworks of China and Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime. If we cannot resolve any conflicts of interest or disputes between us and the shareholders of our consolidated VIEs, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings.

Our corporate actions are substantially controlled by our principal shareholders, including our founder, co-chairman and chief executive officer, William Wei Huang, who have the ability to control or exert significant influence over important corporate matters that require approval of shareholders, which may deprive you of an opportunity to receive a premium for your ADSs and materially reduce the value of your investment.

Three of our principal shareholders—STT GDC, SoftBank China Venture Capital, and William Wei Huang, our founder, co-chairman and chief executive officer—currently own or exercise voting and investment control over approximately 42.1%, 18.1% and 13.6% (including ordinary shares underlying share options exercisable within 60 days beneficially owned by Mr. Huang), respectively, of our outstanding ordinary shares (assuming the conversion of our preference shares into ordinary shares), and approximately %, % and %, respectively, of our outstanding ordinary shares immediately after this offering, assuming no exercise by the underwriters of options to purchase additional ADSs. As a result of this ownership concentration these shareholders have the ability to control or exert significant influence over important corporate matters, investors may be prevented from affecting important corporate matters involving our company that require approval of shareholders, including:

- the composition of our board of directors and, through it, any determinations with respect to our operations, business direction and policies, including the appointment and removal of officers;
- any determinations with respect to mergers or other business combinations;
- our disposition of substantially all of our assets; and
- any change in control.

These actions may be taken even if they are opposed by our other shareholders, including the holders of the ADSs.

Furthermore, this concentration of ownership may also discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of the ADSs. As a result of the foregoing, the value of your investment could be materially reduced.

If the custodians or authorized users of our controlling non-tangible assets, including chops and seals, fail to fulfill their responsibilities, or misappropriate or misuse these assets, our business and operations may be materially and adversely affected.

Under PRC law, legal documents for corporate transactions, including agreements and contracts such as the leases and sales contracts that our business relies on, are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with the relevant local branch of the SAIC. We generally execute legal documents by affixing chops or seals, rather than having the designated legal representatives sign the documents.

We have three major types of chops—corporate chops, contract chops and finance chops. We use corporate chops generally for documents to be submitted to government agencies, such as applications for changing business scope, directors or company name, and for legal letters. We use contract chops for executing leases and commercial, contracts. We use finance chops generally for making and collecting payments, including, but not limited to issuing invoices. Use of corporate chops and contract chops must be

approved by our legal department and administrative department, and use of finance chops must be approved by our finance department. The chops of our subsidiaries and consolidated VIEs are generally held by the relevant entities so that documents can be executed locally. Although we usually utilize chops to execute contracts, the registered legal representatives of our subsidiaries and consolidated VIEs have the apparent authority to enter into contracts on behalf of such entities without chops, unless such contracts set forth otherwise.

In order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to the designated key employees of our legal, administrative or finance departments. Our designated legal representatives generally do not have access to the chops. Although we have approval procedures in place and monitor our key employees, including the designated legal representatives of our subsidiaries and consolidated VIEs, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our key employees or designated legal representatives could abuse their authority, for example, by binding our subsidiaries and consolidated VIEs with contracts against our interests, as we would be obligated to honor these contracts if the other contracting party acts in good faith in reliance on the apparent authority of our chops or signatures of our legal representatives. If any designated legal representative obtains control of the chop in an effort to obtain control over the relevant entity, we would need to have a shareholder or board resolution to designate a new legal representative and to take legal action to seek the return of the chop, apply for a new chop with the relevant authorities, or otherwise seek legal remedies for the legal representative's misconduct. If any of the designated legal representatives obtains and misuses or misappropriates our chops and seals or other controlling intangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve while distracting management from our operations, and our business and operations may be materially and adversely affected.

Substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the draft PRC Foreign Investment Law, and its enactment may materially and adversely affect our business and financial condition.

The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in China. While the MOFCOM solicited comments on this draft, substantial uncertainties exist with respect to the enactment timetable, interpretation and implementation of the proposed legislation and the extent of revision to the currently proposed draft. The draft Foreign Investment Law, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in China.

Among other things, the draft Foreign Investment Law purports to introduce the principle of "actual control" in determining whether a company is considered a foreign invested enterprise, or an FIE. The draft Foreign Investment Law specifically provides that entities established in China but "controlled" by foreign investors will be treated as FIEs, whereas an entity organized in a foreign jurisdiction, but cleared by the MOFCOM as "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the "restriction category" or similar category that could appear on any such "negative list." In this connection, "control" is broadly defined in the draft law to cover any of the following summarized categories:

- holding 50% or more of the voting rights or similar rights and interests of the subject entity;
- holding less than 50% of the voting rights or similar rights and interests of the subject entity but having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, or having the voting power to materially influence the board, the shareholders' meeting or other equivalent decision making bodies; or
- having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

Once an entity is determined to be an FIE, and its investment amount exceeds certain thresholds or its business operation falls within a "negative list" purported to be separately issued by the State Council in the future, market entry clearance by the MOFCOM or its local counterparts would be required.

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions in China. Under the draft Foreign Investment Law, VIEs that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. For any companies with a VIE structure in an industry category that is in the "restriction category" or similar category that could appear on any such "negative list," the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the VIEs will be treated as FIE, in which case, the existing VIE structures will likely to be scrutinized and subject to foreign investment restrictions and approval from the MOFCOM and other supervising authorities such as MIIT. Any operation in the industry category on the "negative list" without market entry clearance may be considered as illegal.

However, there are significant uncertainties as to how the control status of our company, our consolidated VIEs would be determined under the enacted version of the Foreign Investment Law. In addition, it is uncertain whether any of the businesses that we currently operate or plan to operate in the future through our consolidated VIEs and the businesses operated by our equity investees with a VIE structure would be on the to-be-issued "negative list" and therefore be subject to any foreign investment restrictions or prohibitions. We also face uncertainties as to whether the enacted version of the Foreign Investment Law and the final "negative list" would mandate further actions, such as MOFCOM market entry clearance, to be completed by companies with existing VIE structure and whether such clearance can be timely obtained, or at all. If we or our equity investees with a VIE structure were not considered as ultimately controlled by PRC domestic investors under the enacted version of the Foreign Investment Law, further actions required to be taken by us or such equity investees under the enacted Foreign Investment Law may materially and adversely affect our business and financial condition. We are consulting closely with our PRC counsel to evaluate and assess our shareholding and corporate structure to respond to the potential adoption and implementation of the proposed Foreign Investment Law.

In addition, our corporate governance practice may be materially impacted and our compliance costs could increase if we were not considered as ultimately controlled by PRC domestic investors under the Foreign Investment Law, if enacted as currently proposed. For instance, the draft Foreign Investment Law as proposed purports to impose stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable FIEs. Aside from investment implementation report and investment amendment report that would be required for each investment and alteration of investment specifics, an annual report would be mandatory, and large foreign investors meeting certain criteria would be required to report on a quarterly basis. Any company found to be non-compliant with these information reporting obligations could potentially be subject to fines and/or administrative or criminal liabilities, and the persons directly responsible could be subject to criminal liabilities.

Risks Related to Doing Business in the People's Republic of China

We may be regarded as being non-compliant with the regulations on VATS due to the lack of IDC licenses for which penalties may be assessed that may materially and adversely affect our business, financial condition, growth strategies and prospects and may require us to obtain regulatory approval for this offering.

The laws and regulations regarding VATS licenses in the PRC are relatively new and are still evolving, and their interpretation and enforcement involve significant uncertainties. Investment activities in the PRC by foreign investors are principally governed by the *Industry Catalog Relating to Foreign Investment*, or the

Catalog. The Catalog divides industries into three categories: encouraged, restricted and prohibited. Industries not include in the Catalog are permitted industries. Industries such as VATS, including IDC services, restrict foreign investment. Specifically, the *Administrative Regulations on Foreign-Invested Telecommunications Enterprises* restrict the ultimate capital contribution percentage held by foreign investor(s) in a foreign-invested VATS enterprise to 50% or less. See "Regulations—Regulation on Foreign Investment Restrictions" for additional details. Under the *Telecommunications Regulations of the People's Republic of China*, or the Telecom Regulations, telecommunications service providers are required to procure operating licenses prior to their commencement of operations.

Before 2013, the definition of the IDC services was subject to interpretation as to whether our services would fall within its scope. In addition, authorities in different localities had different interpretations. According to the Telecom Catalogue publicized in February 2003 by the Ministry of Information Industry, or MII, the predecessor of the MIIT, which took effect in April 2003, and our consultations with the MIIT, IDC services should be rendered through the connection with the Internet or other public telecommunications networks.

On May 6, 2013, the "Q&A on the Application of IDC/ISP Business", the Q&A, was published on the website of China Academy of Telecom Research, an affiliate of the MIIT. The Q&A was issued together with the draft revised Telecom Catalogue of the 2013 version, which although not an official law or regulation, reflected the evolving attitude of the MIIT towards the legal requirements as to applications for IDC licenses. A national consulting body and certain telephone numbers, the Designated Numbers, are provided in the Q&A to answer any questions arising from the application of IDC licenses. Since then, even though the definition of IDC services under the Q&A is identical to that under the Telecom Catalogue, whether a business model should be deemed to be IDC services is subject to the unified clarifications under the Q&A and replies obtained from such Designated Numbers, rather than different replies which may be obtained from different officials from MIIT or its local branches. The draft revised Telecom Catalogue did not come into effect until March 2016, when it was further revised to adapt to developments in the telecommunications industry. During such period, we closely followed legislative developments and conducted feasibility studies for restructuring our business. Based on the Q&A and our consultation with both the Designated Numbers and MIIT officials in 2014 and 2015, IDC services which did not utilize public telecommunication networks would also require an IDC license and that IDC services could only be provided by a holder of an IDC license, or a subsidiary of such holder, with the authorization of the holder.

GDS Beijing obtained a cross-regional IDC license in November 2013, the scope of which now includes Shanghai, Suzhou, Beijing, Shenzhen and Chengdu. In order to adapt to the new regulatory requirements and address pre-existing customer contracts, we converted GDS Suzhou into a domestic company wholly owned by GDS Beijing by acquiring all of the equity interests in GDS Suzhou from FSL, in order to enable GDS Suzhou to provide IDC services with the authorization of GDS Beijing, and under the auspices of an IDC license held by GDS Beijing. MIIT has approved GDS Beijing's application to expand its IDC license coverage to include GDS Suzhou and Kunshan Wanyu so that they are now authorized to provide IDC services. See "Our History and Corporate Structure—2016 Variable Interest Entity Restructuring." As part of the VIE restructuring, we have also decided to convert and change the shareholding of EDC Shanghai Waigaoqiao in the same way with GDS Suzhou, after which we will apply for the expansion of GDS Beijing's IDC license so that EDC Shanghai Waigaoqiao can also be authorized to provide IDC services. We expect that Guangzhou Weiteng will either apply for its own IDC license or be authorized to provide IDC services by GDS Beijing after GDS Beijing further expands its IDC license coverage to include Guangzhou Weiteng. In addition, with regard to the other WFOEs that have not contributed substantial revenue, we are deliberating different measures to ensure that any business activity that may have to be conducted by IDC license holders will be conducted by our IDC license holders, which are our consolidated VIEs. See "Regulations—Regulations Related to Value-Added Telecommunications Business" for additional details.

However, there can be no assurance that we can complete VIE restructuring in a timely manner or that our contracts signed before the completion of the VIE restructuring with any of our WFOEs as the service provider will not be deemed as historical non-compliance. If the MIIT regards us as existing in a state of non-compliance, penalties could potentially be assessed against us. It is possible that the amount of any such penalties may be several times more than the net revenue generated from these services. Our business, financial condition, expected growth and prospects would be materially and adversely affected if such penalties were to be assessed upon us. It is also possible that the PRC government may prohibit a non-compliant entity from continuing to carry on its business, which would materially and adversely affect our results of operations, expected growth and prospects.

GDS Shanghai may be regarded as being non-compliant with the regulations on VATS, due to operating beyond the permitted geographic scope of its IDC license.

One of our consolidated VIEs, GDS Shanghai, obtained a regional IDC license for the Shanghai area in January 2012. Nevertheless, GDS Shanghai provided IDC services in cities outside of Shanghai, which were beyond the scope of its then-effective IDC license. GDS Shanghai upgraded its IDC license to a cross-regional license in April 2016, according to which GDS Shanghai is allowed to provide IDC services in Beijing, Shanghai, Suzhou, Shenzhen and Chengdu. However, if the MIIT regards GDS Shanghai as being historically non-compliant, penalties which could be several times more than the net revenue generated from these services, could potentially be assessed against us, and as a result, our business, financial condition, expected growth and prospects would be materially and adversely affected. It is also possible that the PRC government may prohibit a historically non-compliant entity from continuing to carry on its business, which would materially and adversely affect our results of operations, expected growth and prospects.

One of our subsidiaries, GDS (HK) Limited, has entered into IDC service agreements with customers outside China, which may be regarded as non-compliance with the regulations on foreign investment restriction and value added telecommunications services, by providing IDC service without qualification.

During the period from 2015 to the first half of 2016, GDS (HK) Limited, or GDS HK, which is one of our Hong Kong—incorporated subsidiaries, entered into IDC service agreements with a few customers outside China, while the actual service provider was intended to be GDS Beijing. These IDC service agreements may be regarded as non-compliant, because the law prohibits foreign entities providing IDC services in the PRC without establishing entities holding the IDC licenses.

We are in the process of amending the IDC service agreements so that GDS Beijing is the contracted service provider and GDS HK is the agent under such agreements. However, we cannot assure you that our agreements as they were in effect prior to such amendment will not be found to have been non-compliant. If the MIIT regards such agreements as non-compliant, penalties could potentially be assessed against us, and as a result, our business, financial condition, expected growth and prospects would be materially and adversely affected.

We may fail to obtain, maintain and update licenses and permits necessary to conduct our operations in the PRC, and our business may be materially and adversely affected as a result of any changes in the laws and regulations governing the VATS industry in the PRC.

There can be no assurance that we will be able to maintain our existing licenses or permits necessary to provide our current IDC services in the PRC, renew any of them when their current term expires, or update existing licenses or obtain additional licenses necessary for our future business expansion. The failure to obtain, retain, renew or update any license or permit generally, and our IDC licenses in particular, could materially and adversely disrupt our business and future expansion plans.

For example, the revised Telecom Catalogue came into effect in March 2016 in which the definition of the IDC business also covers the Internet resources collaboration services business to reflect the developments in the telecommunications industry in China and covers cloud-based services. This has resulted in GDS Shanghai providing cloud-based services beyond the scope of its then-effective IDC license. We are currently applying for an amendment of GDS Shanghai's cross-regional IDC license to include Internet resources collaboration services. However, there is no assurance that GDS Shanghai will be granted such expanded service scope, if at all. If the MIIT regards GDS Shanghai as being non-compliant as a result, penalties which could be several times more than the net revenue generated from such cloud-based services could be assessed against us, and our business, financial condition, expected growth and prospectus would be materially and adversely affected.

In addition, if future PRC laws or regulations governing the VATS industry require that we obtain additional licenses or permits or update existing licenses in order to continue to provide our IDC services, there can be no assurance that we would be able to obtain such licenses or permits or update existing licenses in a timely fashion, or at all. If any of these situations occur, our business, financial condition and prospects would be materially and adversely affected.

Third-party data center providers from whom we lease data center space on a wholesale basis may fail to maintain licenses and permits necessary to conduct their operations in the PRC, and our business may be materially and adversely affected.

As of December 31, 2015, we operated an aggregate net floor area of 9,004 sqm that we lease on a wholesale basis from other data center providers, and which we refer to as our third-party data centers. There can be no assurance, that the wholesale data center providers from whom we lease will be able to maintain their existing licenses or permits necessary to provide our current IDC services in the PRC or renew any of them when their current term expires. Their failure to obtain, retain or renew any license or permit generally, and their IDC licenses in particular, could materially and adversely disrupt our business.

In addition, if future PRC laws or regulations governing the VATS industry require that the wholesale data center providers from whom we lease obtain additional licenses or permits in order to continue to provide their IDC services, there can be no assurance that they would be able to obtain such licenses or permits in a timely fashion, or at all. If any of these situations occur, our business, financial condition and prospects could be materially and adversely affected.

Changes in the political and economic policies of the PRC government may materially and adversely affect our business, financial condition and results of operations and may result in our inability to sustain our growth and expansion strategies.

Substantially all of our operations are conducted in the PRC and a substantial majority of our net revenue is sourced from the PRC. Accordingly, our financial condition and results of operations are affected to a significant extent by economic, political and legal developments in the PRC.

The PRC economy differs from the economies of most developed countries in many respects, including the extent of government involvement, level of development, growth rate, and control of foreign exchange and allocation of resources. Although the PRC government has implemented measures emphasizing the utilization of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business enterprises, a substantial portion of productive assets in China is still owned by the government. In addition, the PRC government continues to play a significant role in regulating industry development by imposing industrial policies. The PRC government also exercises significant control over China's economic growth by allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, regulating financial services and institutions and providing preferential treatment to particular industries or companies.

While the PRC economy has experienced significant growth in the past three decades, growth has been uneven, both geographically and among various sectors of the economy. The PRC government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may also have a negative effect on us. Our financial condition and results of operation could be materially and adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. In addition, the PRC government has implemented in the past certain measures to control the pace of economic growth. These measures may cause decreased economic activity, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our businesses, financial condition and results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

Substantially all of our operations are conducted in the PRC, and are governed by PRC laws, rules and regulations. Our PRC subsidiaries and consolidated VIEs are subject to laws, rules and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investment in China. However, China has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in China or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws, rules and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business, financial condition and results of operations.

Our business operations are extensively impacted by the policies and regulations of the PRC Government. Any policy or regulatory change may cause us to incur significant compliance costs.

We are subject to extensive national, provincial and local governmental regulations, policies and controls. Central governmental authorities and provincial and local authorities and agencies regulate many aspects of Chinese industries, including, among others and in addition to specific industry-related regulations, the following aspects:

- construction or development of new data centers or rebuilding of existing data centers;
- banking regulations, as a result of the colocation services we provide to banks and financial institutions;
- environment laws and regulations;

- establishment of or changes in shareholder of foreign investment enterprises;
- foreign exchange;
- taxes, duties and fees;
- customs; and
- land planning and land use rights.

The liabilities, costs, obligations and requirements associated with these laws and regulations may be material, may delay the commencement of operations at our new data centers or cause interruptions to our operations. Failure to comply with the relevant laws and regulations in our operations may result in various penalties, including, among others the suspension of our operations and thus adversely and materially affect our business, prospects, financial condition and results of operations. Additionally, there can be no assurance that the relevant government agencies will not change such laws or regulations or impose additional or more stringent laws or regulations. Compliance with such laws or regulations may require us to incur material capital expenditures or other obligations or liabilities.

The approval of the China Securities Regulatory Commission, or the CSRC, may be required in connection with this offering under a PRC regulation. The regulation also establishes more complex procedures for acquisitions conducted by foreign investors that could make it more difficult for us to grow through acquisitions.

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State-Owned Assets Supervision and Administration Commission, or the SASAC, the State Administration of Taxation, the State Administration for Industry and Commerce, or the SAIC, the CSRC, and the SAFE, jointly adopted the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, which came into effect on September 8, 2006 and were amended on June 22, 2009. The M&A Rules include, among other things, provisions that purport to require that an offshore special purpose vehicle formed for the purpose of an overseas listing of securities in a PRC company obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published on its official website procedures regarding its approval of overseas listings by special purpose vehicles. However, substantial uncertainty remains regarding the scope and applicability of the M&A Rules to offshore special purpose vehicles.

While the application of the M&A Rules remains unclear, we believe, based on the advice of our PRC counsel, King & Wood Mallesons, that the CSRC approval is not required in the context of this offering because we did not acquire any equity interests or assets of a PRC company owned by its controlling shareholders or beneficial owners who are PRC companies or individuals, as such terms are defined under the M&A Rules. There can be no assurance that the relevant PRC government agencies, including the CSRC, would reach the same conclusion as our PRC counsel. If the CSRC or other PRC regulatory body subsequently determines that we need to obtain the CSRC's approval for this offering or if the CSRC or any other PRC government authorities promulgates any interpretation or implements rules before our listing that would require us to obtain CSRC or other governmental approvals for this offering, we may face adverse actions or sanctions by the CSRC or other PRC regulatory agencies. In any such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering into the PRC or take other actions that could have a material adverse effect on our business, financial condition, results of operations, reputation and prospects, as well as our ability to complete this offering. The CSRC or other PRC regulatory agencies may also take actions requiring us, or making it advisable for us, to halt this offering before settlement and delivery of the ADSs offered by this prospectus. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that such settlement and delivery may not occur.

The new regulations also established additional procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the new regulations to complete such transactions could be time-consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share. See "Regulation—Regulations Related to M&A and Overseas Listings."

PRC regulations relating to investments in offshore companies by PRC residents may subject our PRC-resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries or limit our PRC subsidiaries' ability to increase their registered capital or distribute profits.

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

Mr. William Wei Huang has completed the initial SAFE registration pursuant to SAFE Circular 75 in 2012. We have notified substantial beneficial owners of ordinary shares who we know are PRC residents of their filing obligation. Nevertheless, we may not be aware of the identities of all of our beneficial owners who are PRC residents. We do not have control over our beneficial owners and there can be no assurance that all of our PRC-resident beneficial owners will comply with SAFE Circular 37 and subsequent implementation rules. The failure of our beneficial owners who are PRC residents to register or amend their foreign exchange registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such beneficial owners or our PRC subsidiaries to fines and legal sanctions. Failure to register or comply with relevant requirements may also limit our ability to contribute additional capital to our PRC subsidiaries and limit our PRC subsidiaries' ability to distribute dividends to our company. These risks may have a material adverse effect on our business, financial condition and results of operations.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

Pursuant to SAFE Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies due to their position as director, senior management or employees of the PRC subsidiaries of the overseas companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. Our directors, executive officers and other employees who are PRC residents and who have been granted options may follow SAFE Circular 37 to apply for the foreign exchange registration before our company becomes an overseas listed company. After our company becomes an overseas listed company upon completion of this offering, we and our directors, executive officers and other employees who are PRC residents and who have been granted options will be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC residents are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We will make efforts to comply with these requirements upon completion of our initial public offering. However, there can be no assurance that they can successfully register with SAFE in full compliance with the rules. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law.

The enforcement of the Labor Contract Law of the People's Republic of China, or the PRC Labor Contract Law, and other labor-related regulations in the PRC may increase our labor costs, impose limitations on our labor practices and adversely affect our business and our results of operations.

On June 29, 2007, the Standing Committee of the National People's Congress of China enacted the PRC Labor Contract Law, which became effective on January 1, 2008 and was amended on December 28, 2012. The PRC Labor Contract Law introduces specific provisions related to fixed-term employment contracts, part-time employment, probation, consultation with labor unions and employee assemblies, employment without a written contract, dismissal of employees, severance, and collective bargaining, which together represent enhanced enforcement of labor laws and regulations. According to the PRC Labor Contract Law, an employer is obliged to sign an unfixed-term labor contract with any employee who has worked for the employer for 10 consecutive years. Further, if an employee requests or agrees to renew a fixed-term labor contract that has already been entered into twice consecutively, the resulting contract must have an unfixed term, with certain exceptions. The employer must pay economic compensation to an employee where a labor contract is terminated or expires in accordance with the PRC Labor Contract Law, except for certain situations which are specifically regulated. In addition, the government has issued various labor-related regulations to further protect the rights of employees. According to such laws and regulations, employees are entitled to annual leave ranging from five to 15 days and are able to be compensated for any untaken annual leave days in the amount of three times their daily salary, subject to certain exceptions. In the event that we decide to change our employment or labor practices, the PRC Labor Contract Law and its implementation rules may also limit our ability to effect those changes in a manner that we believe to be cost-effective. In addition, as the interpretation and implementation of these new regulations are still evolving, our employment practices may not be at all times deemed in compliance with the new regulations. If we are subject to severe penalties or incur significant liabilities in connection with labor disputes or investigations, our business and financial conditions may be adversely affected.

We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements.

We are a holding company and rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries and on remittances from the consolidated VIEs, for our offshore cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders, fund inter-company loans, service any debt we may incur outside of China and pay our expenses. When our principal operating subsidiaries or the consolidated VIEs incur additional debt, the instruments governing the debt may restrict their ability to pay dividends or make other distributions or remittances to us. Furthermore, the laws, rules and regulations applicable to our PRC subsidiaries and certain other subsidiaries permit payments of dividends only out of their retained earnings, if any, determined in accordance with applicable accounting standards and regulations.

Under PRC laws, rules and regulations, each of our subsidiaries incorporated in China is required to set aside at least 10% of its net income each year to fund certain statutory reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves, together with the registered capital, are not distributable as cash dividends. As a result of these laws, rules and regulations, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their shareholders as dividends, loans or advances. As of December 31, 2015, we had restricted assets of RMB1,323.1 million (US\$204.3 million), all of which consisted of registered capital. Our subsidiaries did not have any retained earnings available for distribution in the form of dividends as of December 31, 2015. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary.

Limitations on the ability of VIEs to make remittance to the wholly-foreign owned enterprise and on the ability of our subsidiaries to pay dividends to us could limit our ability to access cash generated by the operations of those entities, including to make investments or acquisitions that could be beneficial to our businesses, pay dividends to our shareholders or otherwise fund and conduct our business.

We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income.

Under the PRC Enterprise Income Tax Law and its implementing rules, enterprises established under the laws of jurisdictions outside of China with "de facto management bodies" located in China may be considered PRC tax resident enterprises for tax purposes and may be subject to the PRC enterprise income tax at the rate of 25% on their global income. "De facto management body" refers to a managing body that exercises substantive and overall management and control over the production and business, personnel, accounting books and assets of an enterprise. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or Circular 82, on April 22, 2009. Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore-incorporated enterprise is located in China. Although Circular 82 only applies to offshore enterprises controlled by PRC enterprises, not those controlled by foreign enterprises or individuals, the determining criteria set forth in Circular 82 may reflect the State Administration of Taxation's general position on how the "de facto management body" test should be applied in determining the tax resident status of offshore enterprises, regardless of whether they are controlled by PRC enterprises. If we were to be considered a PRC resident enterprise, we would be subject to PRC enterprise income tax at the rate of 25% on our global income. In such case, our profitability and cash flow may be materially reduced as a result of our global income being taxed under the Enterprise Income Tax Law. We believe that none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, 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."

We may not be able to obtain certain benefits under the relevant tax treaty on dividends paid by our PRC subsidiary to us through our Hong Kong subsidiary.

We are a holding company incorporated under the laws of the Cayman Islands and as such rely on dividends and other distributions on equity from our PRC subsidiary to satisfy part of our liquidity requirements. Pursuant to the PRC Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC "resident enterprise" to a foreign enterprise investor, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Double Tax Avoidance Arrangement, such withholding tax rate may be lowered to 5% if a Hong Kong resident enterprise owns no less than 25% of a PRC enterprise. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied, including without limitation that (a) the Hong Kong enterprise must be the beneficial owner of the relevant dividends; and (b) the Hong Kong enterprise must directly hold no less than 25% share ownership in the PRC enterprise during the 12 consecutive months preceding its receipt of the dividends.

Dividends payable to our foreign investors and gains on the sale of our ADSs or ordinary shares by our foreign investors may become subject to PRC tax.

Under the Enterprise Income Tax Law and its implementation regulations issued by the State Council, a 10% PRC withholding tax is applicable to dividends payable to investors that are non-resident enterprises, which do not have an establishment or place of business in the PRC or which have such establishment or place of business but the dividends are not effectively connected with such establishment or place of business, to the extent such dividends are derived from sources within the PRC. Similarly, any gain realized on the transfer of ADSs or ordinary shares by such investors is also subject to PRC tax at a current rate of 10%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions, if such gain is regarded as income derived from sources within the PRC. If we are deemed a PRC resident enterprise, dividends paid on our ordinary shares or ADSs, and any gain realized from the transfer of our ordinary shares or ADSs, would be treated as income derived from sources within the PRC and would as a result be subject to PRC taxation. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to individual investors who are non-PRC residents and any gain realized on the transfer of ADSs or ordinary shares by such investors may be subject to PRC tax at a current rate of 20%, subject to any reduction or exemption set forth in applicable tax treaties or under applicable tax arrangements between jurisdictions. If we or any of our subsidiaries established outside China are considered a PRC resident enterprise, it is unclear whether holders of our ADSs or ordinary shares would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas. If dividends payable to our non-PRC investors, or gains from the transfer of our ADSs or ordinary shares by such investors, are deemed as income derived from sources within the PRC and thus are subject to PRC tax, the value of your investment in our ADSs or ordinary shares may decline significantly.

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies.

On February 3, 2015, the State Administration of Taxation issued the Bulletin on Issues of Enterprise Income Tax on Indirect Transfers of Assets by Non-PRC Resident Enterprises, or Bulletin 7, which replaced or supplemented previous rules under the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the State Administration of Taxation, on December 10, 2009. Pursuant to this Bulletin, an "indirect transfer" of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated

as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. According to Bulletin 7, "PRC taxable assets" include assets attributed to an establishment in China, immovable properties located in China, and equity investments in PRC resident enterprises, in respect of which gains from their transfer by a direct holder, being a non-PRC resident enterprise, would be subject to PRC enterprise income taxes. When determining whether there is a "reasonable commercial purpose" of the transaction arrangement, features to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in China or if its income mainly derives from China; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be included with the enterprise income tax filing of the PRC establishment or place of business being transferred, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties located in China or to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. Where the payor fails to withhold any or sufficient tax, the transferor shall declare and pay such tax to the tax authority by itself within the statutory time limit. Late payment of applicable tax will subject the transferor to default interest. Bulletin 7 does not apply to transactions of sale of shares by investors through a public stock exchange where such shares were acquired from a transaction through a public stock exchange.

There is uncertainty as to the application of Bulletin 7, or previous rules under Circular 698. Especially as Bulletin 7 is lately promulgated, it is not clear how it will be implemented. Bulletin 7 may be determined by the tax authorities to be applicable to our offshore restructuring transactions or sale of our shares or those of our offshore subsidiaries where non-resident enterprises, being the transferors, were involved. For example, in the past, we acquired EDC Holding by issuing shares of GDS Holdings to its shareholders in exchange for all of the outstanding shares of EDC Holding that were not held by us then. In addition, certain of our direct and indirect shareholders transferred some or all of their equity interest in us through indirect transfers conducted by their respective overseas holding companies which held shares in us. As a result, the transferors and transferees in these transactions, including us may be subject to the tax filing and withholding or tax payment obligation, while our PRC subsidiaries may be requested to assist in the filing. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with Bulletin 7 or to establish that we and our non-resident enterprises should not be taxed under Bulletin 7, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

Restrictions on currency exchange may limit our ability to utilize our net revenue effectively.

Substantially all of our net revenue is denominated in Renminbi. The Renminbi is currently convertible under the "current account," which includes dividends, trade and service-related foreign exchange transactions, but not under the "capital account," which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries or consolidated VIEs. Currently, certain of our PRC subsidiaries, may purchase foreign currency for settlement of "current account transactions," including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. However, the relevant PRC governmental authorities may limit or eliminate our ability to

purchase foreign currencies in the future for current account transactions. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities. Since a significant amount of our future net revenue will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to utilize net revenue generated in Renminbi to fund our business activities outside of the PRC or pay dividends in foreign currencies to our shareholders, including holders of our ADSs, and may limit our ability to obtain foreign currency through debt or equity financing for our subsidiaries and consolidated VIEs.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions and the foreign exchange policy adopted by the PRC government. On July 21, 2005, the PRC government changed its policy of pegging the value of the Renminbi to the U.S. dollar. Following the removal of the U.S. dollar peg, the Renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted and the exchange rate between the RMB and the U.S. dollar remained within a narrow band. Since June 2010, the RMB has started to appreciate slowly against the U.S. dollar, though there have been periods when the U.S. dollar has appreciated against the RMB. On August 11, 2015, the People's Bank of China, or the PBOC, allowed the RMB to depreciate by approximately 2% against the U.S. dollar. It is difficult to predict how long such depreciation of RMB against the U.S. dollar may last and when and how the relationship between the RMB and the U.S. dollar may change again.

Substantially all of our net revenue and costs are denominated in Renminbi. We are a holding company and we rely on dividends paid by our operating subsidiaries in China for our cash needs. Any significant revaluation of the Renminbi may materially reduce any dividends payable on, our ADSs in U.S. dollars. To the extent that we need to convert U.S. dollars we receive from this offering into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we would receive. Conversely, if we decide to convert our Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amount.

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

Our independent registered public accounting firm that issues the audit report included in our prospectus filed with the U.S. Securities and Exchange Commission, as auditors of companies that are traded publicly in the United States and a firm registered with the U.S. Public Company Accounting Oversight Board, or the PCAOB, is required by the laws of the United States to undergo regular inspections by the PCAOB to assess its compliance with the laws of the United States and professional standards. Because our auditors are located in the Peoples' Republic of China, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditors are not currently inspected by the PCAOB.

Inspections of other firms that the PCAOB has conducted outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating our auditor's audits and its quality control procedures. As a result, investors may be deprived of the benefits of PCAOB inspections.

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

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

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

In late 2012 this impasse led the SEC to commence administrative proceedings under Rule 102(e) of its Rules of Practice and also under the Sarbanes-Oxley Act of 2002 against the Chinese accounting firms, including our independent registered public accounting firm. In January 2014, the administrative law judge reached an initial decision to impose penalties on the firms including a temporary suspension of their right to practice before the SEC. The accounting firms filed a petition for review of the initial decision. On February 6, 2015, before a review by the commissioners of the SEC had taken place, the firms reached a settlement with the SEC. Under the settlement, the SEC accepts that future requests by the SEC for the production of documents will normally be made to the CSRC. The firms will receive matching Section 106 requests, and are required to abide by a detailed set of procedures with respect to such requests, which in substance require them to facilitate production via the CSRC. If they fail to meet specified criteria, the SEC retains authority to impose a variety of additional remedial measures on the firms depending on the nature of the failure. Remedies for any future noncompliance could include, as appropriate, an automatic six-month bar on a single firm's performance of certain audit work, commencement of a new proceeding against a firm, or in extreme cases the resumption of the current proceeding against all four firms.

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

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

Risks Related to This Offering

There has been no public market for our shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.

Prior to this offering, there has been no public market for our shares or ADSs. We have received approval for listing our ADSs on the [NYSE/NASDAQ]. Our shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system. If an active trading market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

Negotiations with the underwriters determined the initial public offering price for our ADSs which may bear no relationship to their market price after the initial public offering. There can be no assurance that an active trading market for our ADSs will develop or that the market price of our ADSs will not decline below the initial public offering price.

The trading price of our ADSs may be volatile, which could result in substantial losses to you.

The trading prices of our ADSs are likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, like the performance and fluctuation in the market prices or the underperformance or deteriorating financial results of other listed companies based in China. The securities of some of these companies have experienced significant volatility since their initial public offerings, including, in some cases, substantial price declines in the trading prices of their securities. The trading performances of other Chinese companies' securities after their offerings, including Internet and e-commerce companies, may affect the attitudes of investors toward Chinese companies listed in the United States, which consequently may impact the trading performance of our ADSs, regardless of our actual operating performance. In addition, any negative news or perceptions about inadequate corporate governance practices or fraudulent accounting, corporate structure or matters of other Chinese companies may also negatively affect the attitudes of investors towards Chinese companies in general, including us, regardless of whether we have conducted any inappropriate activities. In addition, securities markets may from time to time experience significant price and volume fluctuations that are not related to our operating performance, such as the large decline in share prices in the United States, China and other jurisdictions in late 2008, early 2009, the second half of 2011 and in 2015, which may have a material and adverse effect on the trading price of our ADSs.

In addition to the above factors, the price and trading volume of our ADSs may be highly volatile due to multiple factors, including the following:

- regulatory developments affecting us or our industry, customers or suppliers;
- announcements of studies and reports relating to the quality of our service offerings or those of our competitors;
- changes in the economic performance or market valuations of other data center services companies;
- actual or anticipated fluctuations in our quarterly results of operations and changes or revisions of our expected results;
- changes in financial estimates by securities research analysts;
- conditions in the market for data center services;
- announcements by us or our competitors of new product and service offerings, acquisitions, strategic relationships, joint ventures, capital raisings or capital commitments;
- additions to or departures of our senior management;
- fluctuations of exchange rates between the RMB and the U.S. dollar;

- release or expiry of lock-up or other transfer restrictions on our outstanding shares or ADSs; and
- sales or perceived potential sales of additional ordinary shares or ADSs.

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

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

Techniques employed by short sellers may drive down the market price of our ADSs.

Short selling is the practice of selling securities that the seller does not own but rather has borrowed from a third party with the intention of buying identical securities back at a later date to return to the lender. The short seller hopes to profit from a decline in the value of the securities between the sale of the borrowed securities and the purchase of the replacement shares, as the short seller expects to pay less in that purchase than it received in the sale. As it is in the short seller's best interests for the price of the stock to decline, many short sellers publish, or arrange for the publication of, negative opinions regarding the relevant issuer and its business prospects in order to create negative market momentum and generate profits for themselves after selling a stock short. These short attacks have, in the past, led to selling of shares in the market.

Public companies that have substantially all of their operations in China have been the subject of short selling. Much of the scrutiny and negative publicity has centered on allegations of a lack of effective internal control over financial reporting resulting in financial and accounting irregularities and mistakes, inadequate corporate governance policies or a lack of adherence thereto and, in many cases, allegations of fraud. As a result, many of these companies are now conducting internal and external investigations into the allegations and, in the interim, are subject to shareholder lawsuits and/or SEC enforcement actions.

It is not clear what effect such negative publicity could have on us. If we were to become the subject of any unfavorable allegations, whether such allegations are proven to be true or untrue, we could have to expend a significant amount of resources to investigate such allegations and/or defend ourselves. While we would strongly defend against any such short seller attacks, we may be constrained in the manner in which it can proceed against the relevant short seller by principles of freedom of speech, applicable state law or issues of commercial confidentiality. Such a situation could be costly and time-consuming, and could distract our management from growing our business. Even if such allegations are ultimately proven to be groundless, allegations against us could severely impact its business operations and stockholders equity, and any investment in our ADSs could be greatly reduced or rendered worthless.

As our initial public offering price is substantially higher than our net tangible book value per share, you will experience immediate and substantial dilution.

If you purchase ADSs in this offering, you will pay more for your ADSs than the amount paid by existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately US\$ [redacted] per ADS (assuming no exercise of outstanding options to acquire ordinary shares and no exercise of the underwriters' option to purchase additional ADSs), representing the difference between our pro forma as adjusted net tangible book value per ADS as of [redacted], 2016, after giving effect to this offering, and the public offering price of US\$ [redacted] per ADS. In addition, you will experience further dilution to the extent that our ordinary

market, the market price of our ADSs could decline significantly. See "Shares Eligible for Future Sale—Lock-Up Agreements."

Certain major holders of our ordinary shares after completion of this offering will have the right to cause us to register under the Securities Act the sale of their shares, subject to the applicable lock-up periods in connection with this offering. Registration of these shares under the Securities Act would result in ADSs representing these shares becoming freely tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. Sales of these registered shares in the form of ADSs in the public market could cause the price of our ADSs to decline significantly.

We have adopted a share incentive plan, under which we have the discretion to grant a broad range of equity-based awards to eligible participants. See "Management—Share Incentive Plan." We intend to register all ordinary shares that we may issue under this equity compensation plan. Once we register these ordinary shares, they can be freely sold in the public market in the form of ADSs upon issuance, subject to volume limitations applicable to affiliates and the lock-up agreements described in the "Underwriting" section of this prospectus. If a large number of our ordinary shares or securities convertible into our ordinary shares are sold in the public market in the form of ADSs after they become eligible for sale, the sales could reduce the trading price of our ADSs and impede our ability to raise future capital. In addition, any ordinary shares that we issue under an equity incentive plan would dilute the percentage ownership held by the investors who purchase ADSs in this offering.

You, as holders of ADSs, may have fewer rights than holders of our ordinary shares and must act through the depositary to exercise those rights.

Holders of ADSs do not have the same rights of our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under the post-offering memorandum and articles of association that will become effective upon the completion of this offering, the minimum notice period required to convene a general meeting is [10] days. When a general meeting is convened, you may not receive sufficient notice of a shareholders' meeting to permit you to withdraw your ordinary shares to allow you to cast your vote with respect to any specific matter. In addition, the depositary and its agents may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but there can be no assurance that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your ADSs. Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register both the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Under the deposit agreement, the depositary will not make rights available to you unless both the rights and the underlying securities to be distributed to ADS holders are either registered under the Securities Act or exempt from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective and we may not be able to establish a necessary exemption from registration under the Securities Act. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

You may not receive cash dividends if the depositary decides it is impractical to make them available to you.

The depositary will pay cash dividends on the ADSs only to the extent that we decide to distribute dividends on our ordinary shares or other deposited securities, and we do not have any present plan to pay any cash dividends on our ordinary shares in the foreseeable future. To the extent that there is a distribution, the depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on our ordinary shares or other deposited securities after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary may, at its discretion, decide that it is inequitable or impractical to make a distribution available to any holders of ADSs. For example, the depositary may determine that it is not practicable to distribute certain property through the mail, or that the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may decide not to distribute such property to you.

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it 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.

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

We are a company incorporated under the laws of the Cayman Islands. We conduct our operations outside the United States and substantially all of our assets are located outside the United States. In addition, all of our directors and executive officers and the experts named in this prospectus reside outside the United States, and most of their assets 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 them 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, the PRC or other relevant jurisdiction may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands and China, see "Enforcement of Civil Liabilities."

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

We are an exempted company limited by shares incorporated under the laws of the Cayman Islands. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law (2013 Revision) of the Cayman Islands 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 duties 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 duties 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.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors will have discretion under the post-offering memorandum and articles of association we expect to adopt, 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 resolution or to solicit proxies from other shareholders in connection with a proxy contest.

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 controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Law (2013 Revision) of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see "Description of Share Capital—Differences in Corporate Law."

[Our articles of association contain anti-takeover provisions that could discourage a third party from acquiring us, which could limit our shareholders' opportunity to sell their shares, including ordinary shares represented by our ADSs, at a premium.

We have adopted amended and restated articles of association to be effective upon the completion of this offering that contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, in the form of ADS or otherwise. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of our ADSs may fall and the voting and other rights of the holders of our ordinary shares and ADSs may be materially and adversely affected.]

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

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

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

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 U.S. domestic public companies.

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

We 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 as press releases, distributed pursuant to the rules and regulations of the [NYSE]/[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 that 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 the [NYSE]/[NASDAQ] corporate governance listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the [NYSE]/[NASDAQ] corporate governance listing standards.

As a Cayman Islands company listed on the [NYSE]/[NASDAQ], we are subject to the [NYSE]/[NASDAQ] corporate governance listing standards. However, [NYSE]/[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 the [NYSE]/[NASDAQ] corporate governance listing standards. Although we do not currently intend to rely on home country practice with respect to our corporate governance after we complete this offering, we may choose to follow home country practice in the future, with regard to committee requirements, shareholder approval requirements or otherwise, our shareholders may be afforded less protection than they otherwise would enjoy under the [NYSE]/[NASDAQ] corporate governance listing standards applicable to U.S. domestic issuers.

We may become a passive foreign investment company, or PFIC, which could result in adverse United States tax consequences to United States investors.

Based on the past and projected composition of our income and assets, and the valuation of our assets, including goodwill, we do not believe we were a PFIC for our most recent taxable year and we do not expect to become one in the future, although there can be no assurance in this regard. The determination of whether or not we are a PFIC is made on an annual basis and will depend on the composition of our income and assets from time to time. Specifically, for any taxable year, we will be classified as a PFIC for United States federal income tax purposes if either (i) 75% or more of our gross income in that taxable year is passive income or (ii) the average percentage of our assets (which includes cash) by value in that taxable year which produce, or are held for the production of, passive income is at

least 50%. The calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change. See "Taxation—Material United States Federal Income Tax Considerations—Passive Foreign Investment Company."

In addition, there is uncertainty as to the treatment of our corporate structure and ownership of our consolidated VIEs for United States federal income tax purposes. For United States federal income tax purposes, we consider ourselves to own the stock of our consolidated VIEs. If it is determined, contrary to our view, that we do not own the stock of our consolidated VIEs for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), we may be treated as a PFIC.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares, our PFIC status could result in adverse United States federal income tax consequences to you if you are a United States Holder, as defined under "Taxation—Material United States Federal Income Tax Considerations." For example, if we are or become a PFIC, you may become subject to increased tax liabilities under United States federal income tax laws and regulations, and will become subject to burdensome reporting requirements. See "Taxation—Material United States Federal Income Tax Considerations—Passive Foreign Investment Company." There can be no assurance that we will not be a PFIC for 2016 or any future taxable year. Simpson Thacher & Bartlett LLP, our United States counsel, does not express any opinion about our status as a PFIC in any taxable year.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an "emerging growth company."

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the SEC and the [NYSE]/[NASDAQ], impose various requirements on the corporate governance practices of public companies. As a company with less than US\$1.0 billion in net revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company 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 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. However, we have elected to "opt out" of the provision that allow us to delay adopting new or revised accounting standards and, as a result, we will comply with new or revised accounting standards as required when they are adopted for public companies. This decision to opt out of the extended transition period under the JOBS Act is irrevocable.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an "emerging growth company," we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the amount of additional costs we may incur or the timing of such costs.

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties, including statements based on our current expectations, assumptions, estimates and projections about us and our industry. The forward-looking statements are contained principally in the sections entitled "Prospectus Summary," "Risk Factors," "Use of Proceeds," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Industry" and "Business." These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. In some cases, these forward-looking statements can be identified by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "potential," "continue," "is/are likely to" or other similar expressions. The forward-looking statements included in this prospectus relate to, among others:

- our goals and strategies;
- our expansion plans;
- our future business development, financial condition and results of operations;
- the expected growth of the data center and cloud services market;
- our expectations regarding demand for, and market acceptance of, our services;
- our expectations regarding keeping and strengthening our relationships with customers; and
- general economic and business conditions in the regions where we operate.

This prospectus also contains market data relating to the data center and cloud services industry in China, including market position, market size, and growth rates of the markets in which we participate, that are based on industry publications and reports. This prospectus contains statistical data and estimates published by 451 Research, LLC, or 451 Research, including a report which we commissioned 451 Research to prepare and for which we paid a fee. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. The data center and cloud services industry in China may not grow at the rates projected by market data, or at all. The failure of these markets to grow at the projected rates may have a material adverse effect on our business and the market price of our ADSs. If any one or more of the assumptions underlying the market data turns out to be incorrect, actual results may differ from the projections based on these assumptions. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors" and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements.

The forward-looking statements made in this prospectus relate only to events or information as of the date on which the statements are made in this prospectus. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this prospectus and the documents that we have referred to in this prospectus and have filed as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from what we expect.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US\$ [redacted] after deducting underwriting discounts and the estimated offering expenses payable by us and based upon an assumed initial offering price of US\$ [redacted] per ADS (the mid-point of the estimated public offering price range shown on the front cover of this prospectus). A US\$1.00 increase (decrease) in the assumed initial public offering price of US\$ [redacted] per ADS would increase (decrease) the net proceeds to us from this offering by US\$ [redacted], after deducting the estimated underwriting discounts and commissions and estimated aggregate offering expenses payable by us and assuming no change to the number of ADSs offered by us as set forth on the cover page of this prospectus.

We plan to use the net proceeds of this offering as follows:

- approximately US\$ [redacted] million for the repayment of a portion of our outstanding indebtedness as described below;
- approximately US\$ [redacted] million for development and acquisition of new data centers; and
- the balance of the net proceeds for general corporate purposes.

On September 17, 2015, our subsidiary Shenzhen Yungang EDC Technology Co., Ltd., entered into a term loan facility agreement with United Overseas Bank (China) Limited, Shenzhen Branch and Credit Agricole Corporate and Investment Bank (China) Limited for a principal amount of RMB430.0 million (US\$66.4 million) for the subsidiary's Shenzhen data centers SZ1 and SZ2 respectively, and an amendment agreement dated August 5, 2016 to extend an additional term loan facility with a principal loan amount of RMB100.0 million (US\$15.4 million) for financing the borrower's Shenzhen data center SZ3. The interest rate agreed under the term loan facility agreements is 1.2x or 1.3x of PBOC's base rate for loans, as applicable. The effective interest rate on the loan as of December 31, 2015 was 6.83% per annum. The maturity date of the loan is September 18, 2020.

On October 28, 2015, our subsidiary Beijing Hengpu'an Data Technology Development Co., Ltd. entered into a term loan facility agreement with United Overseas Bank Limited for a principal amount of RMB120.0 million (US\$18.5 million) for financing borrower's Beijing data center (BJ1). The interest rate agreed under said term loan facility agreement is a fixed rate of 6.5625% per annum or 1.25x of PBOC's base rate (as applicable based on the tranches of facilities utilized under the agreement). The effective interest rate on the loan as of December 31, 2015 was 6.56% per annum. The maturity date of the loan is December 21, 2020.

An aggregate RMB [redacted] (US\$ [redacted]) was outstanding on the foregoing two loan facilities as of the date of this prospectus, approximately RMB [redacted] (US\$ [redacted]) of which we are required to repay upon the completion of this offering. For the use of proceeds from these loans and other details concerning these loan facilities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Contractual Obligations—Beijing and Shenzhen Loan Facilities"

The foregoing represents our intentions as of the date of this prospectus with respect of the use and allocation of the net proceeds of this offering based upon our present plans and business conditions, but our management will have significant flexibility and discretion in applying the net proceeds of the offering. The occurrence of unforeseen events or changed business conditions may result in application of the proceeds of this offering in a manner other than as described in this prospectus.

To the extent that the net proceeds we receive from this offering are not immediately applied for the above purposes, we intend to invest our net proceeds in short-term, interest bearing, debt instruments or bank deposits.

In utilizing the proceeds of this offering, we, as an offshore holding company, are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions and to our consolidated VIEs only through loans. Subject to satisfaction of applicable government registration and approval requirements, we may extend inter-company loans to our PRC subsidiaries or make additional capital contributions to our PRC subsidiaries to fund their capital expenditures or working capital. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all.

DIVIDEND POLICY

Since our inception, we have not declared or paid any dividends on our shares. We do not have any present plan to pay any dividends on our ordinary shares or ADSs in the foreseeable future. We intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

Any other future determination to pay dividends will be made at the discretion of our board of directors and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends, we will pay our ADS holders to the same extent as holders of our ordinary shares, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares." Cash dividends on our ordinary shares, if any, will be paid in U.S. dollars.

We are an exempted company incorporated in the Cayman Islands. In order for us to distribute any dividends to our shareholders and ADS holders, we may rely on dividends distributed by our PRC subsidiaries. Certain payments from our PRC subsidiaries to us may be subject to PRC withholding income tax. In addition, regulations in the PRC currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits as determined in accordance with its articles of association and the accounting standards and regulations in China. Each of our PRC subsidiaries is required to set aside at least 10% of its after-tax profit based on PRC accounting standards every year to a statutory common reserve fund until the aggregate amount of such reserve fund reaches 50% of the registered capital of such subsidiary. Such statutory reserves are not distributable as loans, advances or cash dividends.

CAPITALIZATION

The following table sets forth our capitalization as of December 31, 2015 presented on:

- an actual basis;
- a pro forma basis to reflect the automatic conversion of all our outstanding preferred shares into 349,087,677 ordinary shares upon the closing of this offering; and
- a pro forma as adjusted basis to reflect (i) the automatic conversion of all our outstanding preferred shares into _____ ordinary shares upon the closing of this offering, (ii) the issuance and sale of the ordinary shares in the form of ADSs offered hereby at an assumed initial public offering price of US\$ _____ per ADS, the mid-point of the estimated public offering price range shown on the front cover of this prospectus, after deducting underwriting discounts, commissions and estimated offering expenses payable by us and assuming no exercise of the underwriters' overallotment option, and (iii) the repayment of approximately RMB _____ million (US\$ _____ million) of the outstanding indebtedness of certain of our subsidiaries using a portion of the proceeds to us from this offering.

The pro forma and pro forma as adjusted information below is illustrative only and our capitalization following the closing of this offering is subject to adjustment based on the initial public offering price of our ADSs and other terms of this offering determined at pricing. You should read this table in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this prospectus.

	As of December 31, 2015			Pro Forma as Adjusted ⁽¹⁾⁽²⁾
	Actual	Actual	Pro Forma	
	RMB	US\$	US\$	US\$
		(in thousands)		
Long-term borrowings, excluding current portion	958,264	147,930	147,930	
Obligations under capital leases, non-current	424,939	65,599	65,599	
Convertible bonds payable	648,515	100,113	100,113	
Redeemable preferred shares	2,395,314	369,773	—	
Shareholders' (deficit) equity:				
Ordinary shares	76	12	29	
Additional paid-in capital	303,621	46,871	416,627	
Accumulated loss	(61,949)	(9,563)	(9,563)	
Accumulated deficit	(582,253)	(89,884)	(89,884)	
Total (deficit) equity	(340,505)	(52,564)	317,209	
Total	4,086,527	630,851	630,851	

(1) Does not reflect the 18,260,201 ordinary shares issuable upon exercise of the options outstanding under our share incentive plan as of the December 31, 2015 or the 10,979,799 ordinary shares available for future issuance under our share incentive plan as of the same date.

(2) Reflects the repayment of approximately RMB _____ million (US\$ _____ million) of the outstanding indebtedness of certain of our subsidiaries using a portion of the proceeds to us from this offering.

DILUTION

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

Our net tangible book value as of December 31, 2015 was approximately US\$110.1 million, or US\$0.5051 per ordinary share as of that date, and US\$ per ADS. Net tangible book value represents the amount of our total consolidated assets, less the amount of our intangible assets, goodwill and total consolidated liabilities. Dilution is determined by subtracting net tangible book value per ordinary share from our consolidated total assets, after giving effect to (i) the automatic conversion of all of our outstanding preferred shares into ordinary shares immediately upon the completion of this offering and (ii) the issuance and sale by us of shares in the form of ADSs in this offering at an assumed initial public offering price of US\$ per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us.

Without taking into account any other changes in net tangible book value after December 31, 2015, other than to give effect to (i) the automatic conversion of all of our outstanding preferred shares into ordinary shares immediately upon the completion of this offering and (ii) the issuance and sale by us of ordinary shares in the form of ADSs in this offering at an assumed initial public offering price of US\$ per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of December 31, 2015 would have been US\$ million, or US\$ per outstanding ordinary share and US\$ per ADS. This represents an immediate increase in net tangible book value of US\$ per ordinary share and US\$ per ADS to the existing shareholders and an immediate dilution in net tangible book value of US\$ per ordinary share and US\$ per ADS to investors purchasing ADSs in this offering.

The following table illustrates such dilution:

	Per Ordinary Share	Per ADS
Actual net tangible book value per share as of December 31, 2015	US\$ 0.5051	
Pro forma net tangible book value per share after giving effect to the automatic conversion of all of our outstanding preferred shares into ordinary shares		
Pro forma as adjusted net tangible book value per share after giving effect to (i) the automatic conversion of all of our outstanding preferred shares into ordinary shares and (ii) this offering		
Assumed initial public offering price		
Dilution in net tangible book value per share to new investors in the offering		

The amount of dilution in net tangible book value to new investors in this offering set forth above is calculated by deducting (i) the pro forma net tangible book value after giving effect to the automatic conversion of our outstanding preferred shares from (ii) the pro forma net tangible book value after giving effect to the automatic conversion of our preferred shares and this offering.

The following table summarizes, on a pro forma basis as of December 31, 2015, the differences between existing shareholders, including holders of our preferred shares, and the new investors with respect to the number of ordinary shares (in the form of ADSs or shares) purchased from us, the total

consideration paid and the average price per ordinary share and per ADS paid before deducting the underwriting discounts and commissions and estimated offering expenses. The total number of ordinary shares does not include ordinary shares underlying the ADSs issuable upon the exercise of the option to purchase additional ADSs granted to the underwriters.

	Ordinary Shares		Total		US\$		Average Price per ADS Equivalent
	Number	Percent	Amount	Percent	Average Price per Ordinary Share Equivalent	Average Price per ADS Equivalent	
Existing shareholders		%	US\$	%	US\$	US\$	
New investors		%	US\$	%	US\$	US\$	
Total		%	US\$	%			

If the underwriters were to fully exercise the over-allotment option to purchase additional shares of our ordinary shares from us, the percentage of shares of our ordinary shares held by existing shareholders who are directors, officers or affiliated persons would be %, and the percentage of shares of our common stock held by new investors would be %.

A US\$1.00 increase (decrease) in the assumed public offering price of US\$ per ADS (the midpoint of the estimated initial public offering price range shown on the front cover page of this prospectus) would increase (decrease) our pro forma net tangible book value after giving effect to the offering by US\$ million, the pro forma net tangible book value per ordinary share and per ADS after giving effect to this offering by US\$ per ordinary share and US\$ per ADS and the dilution in pro forma net tangible book value per ordinary share and per ADS to new investors in this offering by US\$ per ordinary share and US\$ per ADS, assuming no change to the number of ADS offered by us as set forth on the front cover page of this prospectus, and after deducting underwriting discounts and commissions and other offering expenses.

The pro forma information discussed above is illustrative only. Our net tangible book value following the completion of this offering is subject to adjustment based on the actual initial public offering price of our ADSs and other terms of this offering determined at pricing.

The discussion and tables above take into consideration the automatic conversions of our redeemable preferred shares upon the completion of this offering, and they do not take into consideration of (i) the conversion into ordinary shares of our convertible bonds due 2019 or (ii) any outstanding share options. Following this offering, we may require the conversion of the convertible bonds due 2019 assuming the average per-ordinary-share-equivalent closing trading price of our ADSs in any period of ten (10) consecutive trading days following this offering is at least 125% of US\$1.68 and we exercise our right to cause STT GDC and Ping An Insurance to convert the bonds. If the bondholders elect to convert, or we cause the bondholders to convert, their bonds, up to 89,538,233 ordinary shares will be issued. In addition, as of the date of this prospectus, there are also (i) ordinary shares issuable upon exercise of outstanding share options at an exercise price that ranges from US\$ to US\$ per share and (ii) ordinary shares available for future issuance upon the exercise of future grants under our share incentive plan. To the extent that the convertible bonds due 2019 are converted after our IPO or if any of these options are exercised, there will be further dilution to new investors.

EXCHANGE RATE INFORMATION

Substantially all of our operations are conducted in China and substantially all of our net revenue is denominated in Renminbi. This prospectus contains translations of Renminbi amounts into U.S. dollars at specific rates solely for the convenience of the reader. Unless otherwise noted, all translations from Renminbi to U.S. dollars and from U.S. dollars to Renminbi in this prospectus for 2015 were made at a rate of RMB6.4778 to US\$1.00, the exchange rate set forth in the H.10 statistical release of the Federal Reserve Board on December 31, 2015. We make no representation that the Renminbi or U.S. dollar amounts referred to in this prospectus could have been or could be converted into U.S. dollars or Renminbi, as the case may be, at any particular rate or at all. The PRC government imposes control over its foreign currency reserves in part through direct regulation of the conversion of Renminbi into foreign exchange and through restrictions on foreign trade. On July 29, 2016, the noon buying rate for Renminbi was RMB6.6371 to US\$1.00.

The following table sets forth information concerning exchange rates between the Renminbi and the U.S. dollar for the periods indicated. These rates are provided solely for your convenience and are not necessarily the exchange rates that we used in this prospectus or will use in the preparation of our periodic reports or any other information to be provided to you. For all dates and periods, the exchange rate refers to the exchange rate as set forth in the H.10 statistical release of the Federal Reserve Board.

Period	Noon Buying Rate			
	Period End	Average ⁽¹⁾	Low	
			(RMB per US\$1.00)	
			High	
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2301	6.2990	6.3879	6.2221
2013	6.0537	6.1412	6.2438	6.0537
2014	6.2046	6.1704	6.2591	6.0402
2015	6.4778	6.2869	6.4896	6.1870
2016				
First six months	6.6459	6.5546	6.7013	6.4480
February	6.5525	6.5501	6.5795	6.5154
March	6.4480	6.5027	6.5500	6.4480
April	6.4738	6.4754	6.5004	6.4571
May	6.5798	6.5259	6.5798	6.4738
June	6.6459	6.5892	6.6481	6.5590
July	6.6371	6.6771	6.7013	6.6371

Source: Federal Reserve Statistical Release

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

ENFORCEMENT OF CIVIL LIABILITIES

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

Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. In addition, most of our directors and officers are residents of jurisdictions other than the United States and all or a substantial portion of their assets are located outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States. It may also be difficult for you to enforce in United States courts judgments obtained in United States courts based on the civil liability provisions of the United States federal securities laws against us and our officers and directors.

We have appointed [Law Debenture Corporate Services Inc.] as our agent to receive service of process with respect to any action brought against us in the United States District Court for the Southern District of New York under the federal securities laws of the United States or of any state in the United States or any action brought against us in the Supreme Court of the State of New York in the County of New York under the securities laws of the State of New York.

Conyers Dill & Pearman, our counsel as to Cayman Islands law, and King & Wood Mallesons, our counsel as to PRC law, have advised us that there is uncertainty as to whether the courts of the Cayman Islands or the PRC would, respectively, (1) recognize or enforce judgments of United States courts obtained against us or our directors or officers predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States and (2) entertain original actions brought in the Cayman Islands or the PRC against us or our directors or officers predicated upon the securities laws of the United States or any state in the United States.

Conyers Dill & Pearman has informed us that the uncertainty with regard to Cayman Islands law relates to whether a judgment obtained from the United States courts under the civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Conyers Dill & Pearman has further advised us that a final and conclusive judgment in the federal or state courts of the United States under which a sum of money is payable, other than a sum payable in respect of taxes, fines, penalties or similar charges, may be subject to enforcement proceedings as a debt in the courts of the Cayman Islands under the common law doctrine of obligation.

In addition, Conyers Dill & Pearman has advised us that there is no statutory recognition in the Cayman Islands of judgments obtained in the United States, although the Cayman Islands will generally recognize as a valid judgment, a final and conclusive judgment in personam obtained in the federal or state courts in the United States under which a sum of money is payable (other than a sum of money payable in respect of multiple damages, taxes or other charges of a like nature or in respect of a fine or other penalty) and would give a judgment based thereon provided that (i) such courts had proper jurisdiction over the parties subject to such judgment; (ii) such courts did not contravene the rules of natural justice of the Cayman Islands; (iii) such judgment was not obtained by fraud; (iv) the enforcement of the judgment would not be contrary to the public policy of the Cayman Islands; (v) no new admissible evidence relevant

to the action is submitted prior to the rendering of the judgment by the courts of the Cayman Islands; and (vi) there is due compliance with the correct procedures under the laws of the Cayman Islands.

King & Wood Mallesons has advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedure Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedure Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. King & Wood Mallesons has advised us further that under PRC law, a foreign judgment, which does not otherwise violate basic legal principles, state sovereignty, safety or social public interest, may be recognized and enforced by a PRC court, based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. As there existed no treaty or other form of reciprocity between China and the United States governing the recognition and enforcement of judgments as of the date of this prospectus, including those predicated upon the liability provisions of the United States federal securities laws, there is uncertainty whether and on what basis a PRC court would enforce judgments rendered by United States courts.

OUR HISTORY AND CORPORATE STRUCTURE

We are an exempted company and were incorporated in the Cayman Islands in 2006. We own 100% of the shares in EDC Holding, an exempted company also incorporated in the Cayman Islands, through which we indirectly hold 100% of the equity interests in holding companies in Hong Kong, many of which own our data centers through one or more data center companies. Through EDC Holding we also indirectly hold 100% of the equity interests in GDS Management Company.

Due to PRC regulations that limit foreign equity ownership of entities providing VATS at 50%, and the inclusion of IDC services within the scope of VATS, we conduct a substantial part of our operations in China through contractual arrangements among GDS Management Company, our data center companies and two VIEs that hold licenses required to operate our business, GDS Beijing and GDS Shanghai, and their shareholders. As a result of these contractual arrangements, we control GDS Shanghai, GDS Beijing and its subsidiaries, including GDS Suzhou and Kunshan Wanyu and have consolidated the financial information of these VIEs in our consolidated financial statements in accordance with U.S. GAAP. Guangzhou Weiteng will be included in our consolidated financial statements. MIIT has approved GDS Beijing's application to expand its IDC license coverage to include GDS Suzhou and Kunshan Wanyu so that they are now authorized to provide IDC services. See "—2016 Variable Interest Entity Restructuring." As part of the VIE restructuring, we plan to also convert and change the shareholding of EDC Shanghai Waigaoqiao in the same way with GDS Suzhou, after which we will apply for the expansion of GDS Beijing's IDC license so that EDC Shanghai Waigaoqiao will also be authorized to provide IDC services. In addition, with regard to the other WFOEs that have not contributed substantial revenue, we are deliberating different measures to ensure that any business activity that may have to be conducted by IDC license holders will be conducted by our IDC license holders, which are consolidated VIEs. See "Regulations—Regulations Related to Value-Added Telecommunications Business" for additional details.

Historically, in 2014 and 2015 prior to our VIE restructuring, our consolidated VIEs, GDS Beijing and GDS Shanghai, contributed 2.0% and 4.3% of our total net revenue, and we conducted the substantial majority of our operations through GDS Suzhou when it was a WFOE under PRC law. See "—2016 Variable Interest Entity Restructuring" and "Risk Factors—Risks Related to Doing Business in the People's Republic of China—We may be regarded as existing, in a state of historical non-compliance with the regulations on foreign investment restriction and value added telecommunications services, for which penalties may be assessed that may materially and adversely affect our business, financial condition, growth strategies and prospects and may require us to obtain regulatory approval for this offering." As a result of our internal restructuring, GDS Suzhou became a domestic-owned enterprise under PRC law and an operating subsidiary of GDS Beijing. GDS Suzhou has received approval from the MIIT for providing IDC services with authorization from GDS Beijing under its IDC license. As of the date of this prospectus, we conducted the substantial majority of our operations in China through GDS Suzhou. Accordingly, going forward we expect that substantially all of our net revenue will be generated through our consolidated VIEs, GDS Shanghai, GDS Beijing and its subsidiaries.

In 2003, some of our principal shareholders, including our founder, Mr. William Wei Huang, established Global Data Solutions Limited, a Cayman Islands exempted company. In 2001, FSL acquired GDS Suzhou, which was established by third parties in 2000. In 2006, GDS Beijing and GDS Holdings were established under the laws of the PRC and Cayman Islands, respectively. In 2009, we underwent restructuring with respect to GDS Beijing, which became a consolidated VIE. In 2010, GDS Suzhou was relocated from Shenzhen to Suzhou. In 2014, GDS Shanghai, which was established in 2011, also became a consolidated VIE.

Acquisition of EDC Holding

EDC Holding was established in 2008 and is principally engaged in data center infrastructure services in the PRC. We held approximately 7% equity interests in EDC Holding on a fully diluted basis prior to the

acquisition. In June 2014, in an effort to enhance our service offerings and to increase business synergy, we acquired all the equity interests in EDC Holding (preferred and ordinary shares) we did not already own by issuing 199,163,164 shares to the then-shareholders of EDC Holding.

We were identified as the accounting acquirer for the following reasons: (i) we were the entity that issued the new equity interests; (ii) a shareholder of us held the largest minority voting interest in the combined entity; (iii) our shareholders have the ability to elect or appoint or to remove a majority of the members of the governing body of the combined entity; (iv) our management dominates the management of the combined entity after the acquisition; and (v) we have a significantly larger relative size in terms of net revenue and operations than that of EDC Holding.

Acquisition of Guangzhou Weiteng

In May 2016, we, through GDS Beijing, acquired all the equity interest in Guangzhou Weiteng from a third party for an aggregate purchase price of RMB129.5 million (US\$20.0 million), subject to adjustment, if any, pursuant to the terms and conditions of the equity purchase agreement. Guangzhou Weiteng is a limited liability company organized and existing under the PRC law and operates a data center project in Guangzhou. After the acquisition, Guangzhou Weiteng will either apply for its own IDC license or be authorized to provide IDC services by GDS Beijing after GDS Beijing further expands its IDC license coverage to include Guangzhou Weiteng.

2016 VIE Restructuring

The laws and regulations regarding VATS licenses in the PRC, especially those in relation to IDC services, are relatively new and are still evolving, and their interpretation and enforcement involve significant uncertainties. PRC laws and regulations restrict foreign equity ownership of entities that hold VATS licenses, and such licenses have been denied to entities whose foreign equity ownership exceeds permitted thresholds.

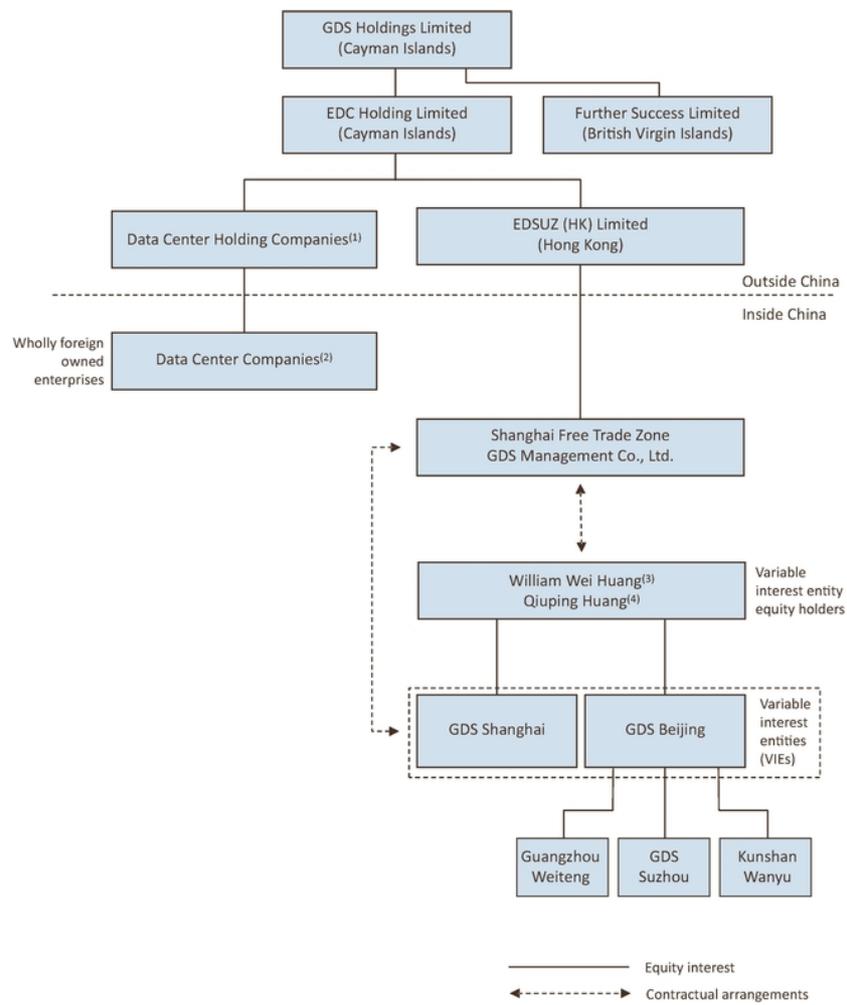
Before 2013, the definition of IDC service did not offer clear guidance as to whether our business at the time fell within its scope. Between 2010 and 2012, in order to comply with then-effective laws and administrative practice, we consulted relevant officials of local branches of the MIIT. Based on such consultations, we understood that we were not required to hold an IDC license in order for us to operate our business lawfully, and we entered into most of our customer contracts through GDS Suzhou, a WFOE, because we believed that restrictions on foreign investment in IDC services did not apply in our case.

On May 6, 2013, the Q&A was published on the website of China Academy of Telecom Research, an affiliate of the MIIT. The Q&A was issued together with the draft revised Telecom Catalogue of the 2013 version, which although not an official law or regulation, reflected the evolving attitude of the MIIT towards the legal requirements as to applications for VATS licenses, especially with regards to IDC services. A national consulting body and certain Designated Numbers are provided in the Q&A to answer any questions arising from the application of IDC licenses. Since then, even though the definition of IDC services under the Q&A is identical to that under the Telecom Catalogue, whether a business model should be deemed to be an IDC service is subject to the unified clarifications under the Q&A and replies obtained from such Designated Numbers, rather than different replies which may be obtained from different officials from the MIIT or its local branches. The draft revised Telecom Catalogue did not come into effect until March 2016, when it was further revised to adapt to developments in the telecommunications industry. During this period, we closely followed legislative developments and conducted feasibility studies for restructuring our business. Based on the Q&A and our consultation with both the Designated Numbers and MIIT officials in 2014 and 2015, most of our services would be deemed IDC services, and that such services could only be provided by a holder of an IDC license, or a subsidiary of such holder, with the authorization of the holder.

GDS Beijing obtained a cross-regional IDC license in November 2013, the scope of which now includes Shanghai, Suzhou, Beijing, Shenzhen and Chengdu. In order to adapt to the new regulatory requirements and address pre-existing customer contracts, we converted GDS Suzhou into a domestic company wholly owned by GDS Beijing by way of transferring all of the equity interests in GDS Suzhou from FSL to GDS Beijing in order to enable GDS Suzhou to engage in the provision of IDC services with the authorization of GDS Beijing, and under the auspices of an IDC license held by GDS Beijing. As part of the VIE restructuring, we plan to also convert and change the shareholding of EDC Shanghai Waigaoqiao in the same way with GDS Suzhou, after which we will apply for the expansion of GDS Beijing's IDC license so that EDC Shanghai Waigaoqiao will also be authorized to provide IDC services. In addition, with regard to the other WFOEs that have not contributed substantial revenue, we are considering measures to ensure that any services that may have to be provided by IDC license holders will be conducted by our IDC license holders, which are our consolidated VIEs. See "Regulations—Regulations Related to Value-Added Telecommunications Business" for additional details.

Our Corporate Structure

The following diagrams illustrate our corporate structure as of the date of this prospectus. They omit certain entities that are immaterial to our results of operations, business and financial condition. Equity interests depicted in this diagram are held as to 100%. The relationships between each of GDS Shanghai and GDS Beijing and GDS Management Company as illustrated in this diagram are governed by contractual arrangements and do not constitute equity ownership.



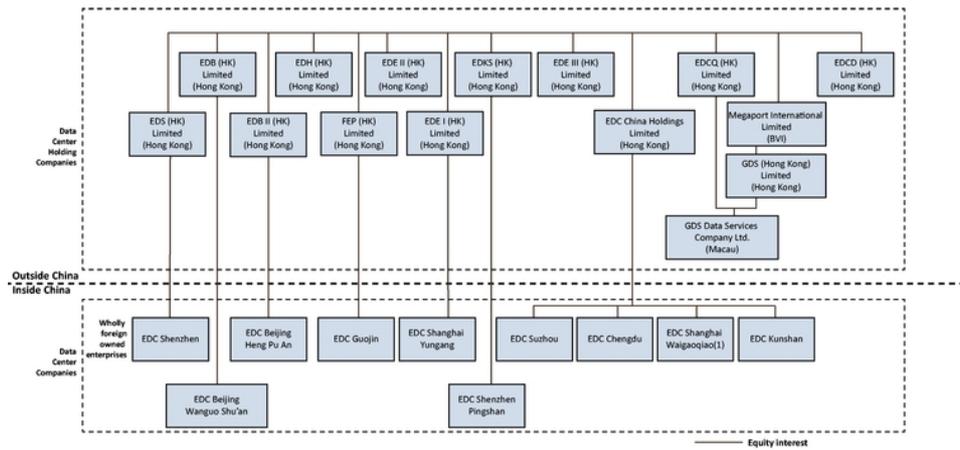
⁽¹⁾ Includes 13 subsidiaries and consolidated entities (aside from EDSUZ (HK) Limited, shown above) incorporated in Hong Kong, seven of which hold our PRC-incorporated data center companies, and two additional subsidiaries incorporated in BVI and Macau, but excludes dormant or immaterial entities with no material business. See the chart below for details on the data center holding companies.

(2) Includes 10 additional subsidiaries and consolidated entities incorporated in China. See the chart below for details on the data center companies.

(3) Holds equity interests of 99.90% in GDS Shanghai, and of approximately 99.97% in GDS Beijing.

(4) Holds equity interests of 0.10% in GDS Shanghai, and of approximately 0.03% in GDS Beijing.

The following diagram illustrates the structure of our data center holding companies and data center companies:



(1) Currently being restructured to become a subsidiary of GDS Beijing.

The following table sets forth the full legal names of the data center holding companies and corresponding project companies:

<u>Data center holding company</u>	<u>Data center company</u>	<u>Data center</u>
EDS (HK) Limited	Shenzhen Yungang EDC Technology Co., Ltd., or EDC Shenzhen	Shenzhen data centers SZ1, SZ2 and SZ3
EDB (HK) Limited	Beijing Wanguo Shu'an Science & Technology Development Co., Ltd., or EDC Beijing Wanguo Shu'an	Site in Beijing for future development
EDB II (HK) Limited	Beijing Hengpu'an Data Technology Development Co., Ltd., or EDC Beijing Heng Pu An	Beijing data centers BJ1 and BJ2
FEP (HK) Limited	Guojin Technology (Kunshan) Co., Ltd., or EDC Guojin	Site in Kunshan for future development
EDE I (HK) Limited	Shanghai Yungang EDC Technology Co., Ltd., or EDC Shanghai Yungang	Shanghai data centers SH2, SH3 and SH4
EDKS (HK) Limited	Shenzhen Pingshan New Area Global Data Science & Technology Development Co., Ltd., or EDC Shenzhen Pingshan	Shenzhen data center SZ4
EDC China Holdings Limited	EDC Technology (Suzhou) Co., Ltd., or EDC Suzhou	—
	EDC (Chengdu) Industry Co., Ltd., or EDC Chengdu	Chengdu data center CD1
	Shanghai Waigaoqiao EDC Technology Co., Ltd., or EDC Shanghai Waigaoqiao	Shanghai data center SH1
	EDC Technology (Kunshan) Co., Ltd., or EDC Kunshan	Kunshan data center KS1

VIE Contractual Arrangements

Contractual Arrangements among GDS Management Company, GDS Beijing and GDS Shanghai

Due to PRC legal restrictions on foreign ownership and investment in VATS, and IDC services in particular, we currently conduct these activities mainly through GDS Suzhou, an operating subsidiary of GDS Beijing that is now authorized by GDS Beijing to provide IDC services. Each of GDS Beijing and GDS Shanghai holds an IDC license which is required to operate our business. We effectively control GDS Beijing and GDS Shanghai through a series of contractual arrangements between these consolidated VIEs, their shareholders and GDS Management Company. These contractual arrangements allow us to:

- exercise effective control over our consolidated VIEs, namely GDS Shanghai, GDS Beijing and GDS Beijing's subsidiaries, namely GDS Suzhou and Kunshan Wanyu and Guangzhou Weiteng;
- receive substantially all of the economic benefits of our variable interest entities; and
- have an exclusive option to purchase all or part of the equity interests in GDS Beijing and GDS Shanghai when and to the extent permitted by PRC law.

As a result of these contractual arrangements, we are the primary beneficiary of GDS Beijing, GDS Shanghai, and their subsidiaries. We have consolidated their financial results in our consolidated financial statements in accordance with U.S. GAAP.

The following is a summary of the currently effective contractual arrangements by and among our wholly-owned subsidiary, GDS Management Company, our consolidated VIEs, GDS Beijing and GDS Shanghai, and the shareholders of each of GDS Beijing and GDS Shanghai.

Agreements that Provide us with Effective Control over our Consolidated VIEs

Equity Interest Pledge Agreements. Pursuant to the equity interest pledge agreements, each shareholder of each of GDS Beijing and GDS Shanghai has pledged all of his or her equity interest in GDS Beijing or GDS Shanghai as a continuing first priority security interest, as applicable, to respectively guarantee GDS Beijing's and its shareholders' performance of their obligations under the relevant contractual arrangement, which include the exclusive technology license and service agreement, loan agreement, exclusive call option agreement, and shareholder voting rights proxy agreement, as well as GDS Shanghai's and its shareholders' performance of their obligations under the other relevant contractual arrangement, which include the exclusive technology license and service agreement, loan agreement, exclusive call option agreement, and shareholder voting rights proxy agreement, and intellectual property rights license agreement. If GDS Beijing or GDS Shanghai or any of its shareholders breaches their contractual obligations under these agreements, GDS Management Company, as pledgee, will be entitled to certain rights regarding the pledged equity interests, including receiving proceeds from the auction or sale of all or part of the pledged equity interests of GDS Beijing and GDS Shanghai in accordance with PRC law. Each of the shareholders of GDS Beijing and GDS Shanghai agrees that, during the term of the equity interest pledge agreements, he or she will not dispose of the pledged equity interests or create or allow creation of any encumbrance on the pledged equity interests without the prior written consent of GDS Management Company. The equity interest pledge agreements remain effective until GDS Beijing and GDS Shanghai and its shareholders discharge all their obligations under the contractual arrangements. We have registered the equity pledge by both GDS Beijing and GDS Shanghai in favor of GDS Management Company with the relevant office of the Administration for Industry and Commerce in accordance with the PRC Property Rights Law.

Shareholder Voting Rights Proxy Agreement. Pursuant to the shareholder voting rights proxy agreements, each shareholder of GDS Beijing and GDS Shanghai has irrevocably appointed the PRC citizen(s) as designated by GDS Management Company to act as such shareholder's exclusive attorney-in-fact to exercise all shareholder rights, including, but not limited to, voting on all matters of GDS Beijing and GDS Shanghai requiring shareholder approval, disposing of all or part of the shareholder's equity interest in GDS Beijing and GDS Shanghai, and appointing directors and executive officers. GDS Management Company is also entitled to change the appointment by designating another PRC citizen(s) to act as exclusive attorney-in-fact of the shareholders of GDS Beijing and GDS Shanghai with prior notice to such shareholders. Each shareholder voting rights proxy agreement will remain in force for so long as the shareholder remains a shareholder of GDS Beijing or GDS Shanghai, as applicable.

Agreements that Allow us to Receive Economic Benefits from our Consolidated VIEs

Exclusive Technology License and Service Agreements. Under the exclusive technology license and service agreements, GDS Management Company licenses certain technology to each of GDS Beijing and GDS Shanghai and GDS Management Company has the exclusive right to provide GDS Beijing and GDS Shanghai with technical support, consulting services and other services. Without GDS Management Company's prior written consent, each of GDS Beijing and GDS Shanghai agrees not to accept the same or any similar services provided by any third party. Each of GDS Beijing and GDS Shanghai agrees to pay service fees on a yearly basis and at an amount equivalent to all of its net profits as confirmed by GDS Management Company. GDS Management Company owns the intellectual property rights arising out of its performance of these agreements. In addition, each of GDS Beijing and GDS Shanghai has granted GDS Management Company an exclusive right to purchase or to be licensed with any or all of the intellectual property rights

of either GDS Beijing or GDS Shanghai at the lowest price permitted under PRC law. Unless otherwise agreed by the parties, these agreements will continue remaining effective.

Intellectual Property Rights License Agreement. Pursuant to an intellectual property rights license agreement between GDS Management Company and GDS Shanghai, dated April 13, 2016, GDS Shanghai has granted GDS Management Company an exclusive license to use for free any or all of the intellectual property rights owned by GDS Shanghai from time to time, and without the parties' prior written consent, GDS Shanghai cannot take any actions, including without limitation to, transferring or licensing outside its ordinary course of business any intellectual property rights to any third parties, which may affect or undermine GDS Management Company's use of the licensed intellectual property rights from GDS Shanghai. The parties have also agreed under the agreement that GDS Management Company should own the new intellectual property rights developed by it regardless whether such development is dependent on any of the intellectual property rights owned by GDS Shanghai. This agreement can only be early terminated by prior mutual consent of the parties and need to be renewed upon GDS Management Company's unilateral request.

Agreements that Provide Us with the Option to Purchase the Equity Interest in GDS Beijing and GDS Shanghai

Exclusive Call Option Agreements. Pursuant to the exclusive call option agreements, each shareholder of GDS Beijing and GDS Shanghai has irrevocably granted GDS Management Company an exclusive option to purchase, or have its designated person or persons to purchase, at its discretion, to the extent permitted under PRC law, all or part of such shareholder's equity interests in GDS Beijing and GDS Shanghai. The purchase price should equal to the minimum price required by PRC law or such other price as may be agreed by the parties in writing. Without GDS Management Company's prior written consent, the shareholders of each of GDS Beijing and GDS Shanghai have agreed that each of GDS Beijing and GDS Shanghai shall not amend its articles of association, increase or decrease the registered capital, sell or otherwise dispose of its assets or beneficial interest, create or allow any encumbrance on its assets or other beneficial interests, provide any loans, distribute dividends to the shareholders and etc. These agreements will remain effective until all equity interests of GDS Beijing and GDS Shanghai held by their shareholders have been transferred or assigned to GDS Management Company or its designated person(s).

Loan Agreements. Pursuant to the loan agreements between GDS Management and the shareholders of each of GDS Beijing and GDS Shanghai, GDS Management has agreed to extend loans in an aggregate amount of RMB310.1 million to the shareholders of GDS Beijing and GDS Shanghai solely for the capitalization of GDS Beijing and GDS Shanghai. Pursuant to the loan agreements, GDS Management Company has the right to require repayment of the loans upon delivery of thirty-day's prior notice to the shareholders, and the shareholders can repay the loans by either sale of their equity interests in GDS Beijing and GDS Shanghai to GDS Management Company or its designated person(s) pursuant to their respective exclusive call option agreements, or other methods as determined by GDS Management Company pursuant to its articles of association and the applicable PRC laws and regulations.

In the opinion of King & Wood Mallesons, our PRC counsel:

- the ownership structures of GDS Management Company, GDS Shanghai and GDS Beijing, currently do not, and immediately after giving effect to this offering, will not result in any violation of the applicable PRC laws or regulations currently in effect; and
- the contractual arrangements among GDS Management Company, GDS Shanghai, GDS Beijing, and the shareholders of GDS Shanghai and GDS Beijing, are governed by PRC law, and are currently valid, binding and enforceable in accordance with the applicable PRC laws or regulations currently in effect, and do not result in any violation of the applicable PRC laws or regulations currently in effect.

However, there are substantial uncertainties regarding the interpretation and application of current and future PRC laws, regulations and rules. In particular, in January 2015, the Ministry of Commerce, or the MOC, published a discussion draft of the proposed Foreign Investment Law for public review and comments. Among other things, the draft Foreign Investment Law expands the definition of foreign investment and introduces the principle of "actual control" in determining whether a company is considered a foreign-invested enterprise, or an FIE. Under the draft Foreign Investment Law, VIEs would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors, and be subject to restrictions on foreign investments. However, the draft law has not arrived at a position on what actions will be taken with respect to the existing companies with the "variable interest entity" structure, whether or not these companies are controlled by Chinese parties. It is uncertain when the draft may be signed into law, if at all, and whether any final version would have substantial changes from the draft. Accordingly, the PRC regulatory authorities may in the future take a view that is contrary to the above opinion of our PRC counsel. If the PRC government finds that the agreements that establish the structure for providing our IDC services do not comply with PRC government restrictions on foreign investment in IDC services, we could be subject to severe penalties, including being prohibited from continuing operations.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The following consolidated statements of operations data for the years ended December 31, 2014 and 2015 and the summary consolidated balance sheet data as of December 31, 2014 and 2015 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared and presented in accordance with generally accepted accounting principles in the United States, or U.S. GAAP.

On June 30, 2014, we acquired EDC Holding from its shareholders whereby we issued shares to EDC Holding's shareholders in exchange for their shares in EDC Holding. Pursuant to the terms of the agreement, we issued 199,163,164 shares in exchange for approximately 93% of the shares in EDC Holding which we did not already own. Since the date of the acquisition, EDC Holding has been our wholly-owned subsidiary and has been consolidated with our results of operations. See note 8 of our consolidated financial statements included elsewhere in this prospectus.

Our historical results are not necessarily indicative of results to be expected for any future period. The following summary consolidated financial data for the periods and as of the dates indicated are qualified by reference to, and should be read in conjunction with, our consolidated financial statements and related notes and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations," both of which are included elsewhere in this prospectus.

	Year Ended December 31,		
	2014	2015	
	RMB	RMB	US\$
	(in thousands, except share data and per share data)		
Consolidated Statements of Operations Data:			
Net revenue	468,337	703,636	108,623
Cost of revenue	(388,171)	(514,997)	(79,502)
Gross profit	80,166	188,639	29,121
Operating expenses:			
Selling and marketing expenses	(40,556)	(57,588)	(8,890)
General and administrative expenses	(113,711)	(128,714)	(19,870)
Research and development expenses	(1,597)	(3,554)	(549)
Loss from operations	(75,698)	(1,217)	(188)
Net interest expense	(124,973)	(125,546)	(19,381)
Foreign currency exchange (loss) gain, net	(875)	11,107	1,715
Government grants	4,870	3,915	604
Gain on remeasurement of equity investment	62,506	—	—
Others, net	(412)	1,174	181
Loss before income taxes	(134,582)	(110,567)	(17,069)
Income tax benefits	4,583	11,983	1,850
Net loss	(129,999)	(98,584)	(15,219)
Net loss available to ordinary shareholders	(309,139)	(216,637)	(33,443)
Net loss per ordinary share—basic and diluted	(1.91)	(0.99)	(0.15)
Weighted average number of ordinary shares outstanding—basic and diluted	162,070,745	217,987,922	217,987,922

The following table presents a summary of our consolidated balance sheet data as of December 31, 2014 and 2015.

	As of December 31,		
	2014	2015	
	Actual	Actual	Actual
	RMB	RMB	US\$
	(in thousands)		
Consolidated Balance Sheet Data:			
Cash	606,758	924,498	142,718
Accounts receivable, net	73,366	111,013	17,137
Total current assets	745,831	1,186,699	183,195
Property and equipment, net	1,694,944	2,512,687	387,892
Goodwill and intangible assets	1,350,524	1,341,599	207,108
Total assets	3,854,074	5,128,272	791,669
Short-term borrowings and current portion of long-term borrowings	426,709	428,218	66,105
Obligations under capital leases, current	39,621	48,745	7,525
Total current liabilities	897,630	925,049	142,803
Long-term borrowings, excluding current portion	492,123	958,264	147,930
Convertible bonds payable	—	648,515	100,113
Obligations under capital leases, non-current	246,996	424,939	65,599
Total liabilities	1,706,600	3,073,463	474,460
Redeemable preferred shares	2,164,039	2,395,314	369,773
Total shareholders' deficit	(16,565)	(340,505)	(52,564)

Key Financial Metrics

We monitor the following key financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our business strategies and assess operational efficiencies:

	Year ended	
	December 31,	
	2014	2015
Other Consolidated Financial Data:		
Gross margin ⁽¹⁾	17.1%	26.8%
Operating margin ⁽²⁾	(16.2)%	(0.2)%
Net margin ⁽³⁾	(27.8)%	(14.0)%

(1) Gross profit as a percentage of net revenue.

(2) Loss from operations as a percentage of net revenue.

(3) Net loss as a percentage of net revenue.

In evaluating our business, we consider and use the following measures, including certain non-GAAP measures, as supplemental measures to review and assess our operating performance:

	Year ended December 31,		
	2014	2015	
	RMB	RMB	US\$
	(in thousands, except percentages)		
Other Consolidated Financial Data:			
Adjusted EBITDA ⁽¹⁾	38,044	164,701	25,425
Adjusted EBITDA margin ⁽²⁾	8.1%	23.4%	23.4%

(1) Adjusted EBITDA is defined as net income or net loss excluding net interest expenses, income tax benefits, depreciation and amortization, accretion expenses for asset retirement costs, share-based compensation expenses, and gain on remeasurement of equity investment.

(2) Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of net revenue.

Non-GAAP Measures

Our management and board of directors use adjusted EBITDA and adjusted EBITDA margin, which are non-GAAP financial measures, to evaluate our operating performance, establish budgets and develop operational goals for managing our business. In particular, we believe that the exclusion of the expenses eliminated in calculating adjusted EBITDA can provide a useful measure of our core operating performance.

We also present these non-GAAP measures because we believe these non-GAAP measures are frequently used by securities analysts, investors and other interested parties as measures of the financial performance of companies in our industry.

These non-GAAP financial measures are not defined under U.S. GAAP and are not presented in accordance with U.S. GAAP. These non-GAAP financial measures have limitations as analytical tools, and when assessing our operating performance, cash flows or our liquidity, investors should not consider them in isolation, or as a substitute for net income (loss), cash flows provided by operating activities or other consolidated statements of operation and cash flow data prepared in accordance with U.S. GAAP.

We mitigate these limitations by reconciling the non-GAAP financial measure to the most comparable U.S. GAAP performance measure, all of which should be considered when evaluating our performance.

The following table reconciles our adjusted EBITDA in the years presented to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, which is net income or net loss:

	Year Ended December 31,		
	2014	2015	
	RMB	RMB	US\$
	(in thousands)		
Net loss	(129,999)	(98,584)	(15,219)
Net interest expenses	124,973	125,546	19,381
Income tax benefits	(4,583)	(11,983)	(1,850)
Depreciation and amortization	82,753	145,406	22,447
Accretion expenses for asset retirement costs	73	255	39
Share-based compensation expenses	27,333	4,061	627
Gain on remeasurement of equity investment	(62,506)	—	—
Adjusted EBITDA	38,044	164,701	25,425

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

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

Overview

We are a leading developer and operator of high-performance data centers in China. Our facilities are strategically located in China's primary economic hubs where demand for high-performance data center services is concentrated. Our data centers have large net floor area, high power capacity, density and efficiency, and multiple redundancy across all critical systems. We are carrier and cloud neutral, which enables our customers to connect to all major PRC telecommunications carriers, and to access a number of the largest PRC cloud service providers, whom we host in our facilities. We offer colocation and managed services, including a unique and innovative managed cloud value proposition. We have a 15-year track record of service delivery, successfully fulfilling the requirements of some of the largest and most demanding customers for outsourced data center services in China. As of December 31, 2015, we had an aggregate net floor area of 37,869 sqm in service, 87.5% of which was committed, and an aggregate net floor area of 35,525 sqm under construction. According to 451 Research, we are the largest service provider in the high-performance carrier-neutral data center services market in China, with 19.7% market share as measured by area committed as of December 31, 2015.

Our portfolio of data centers and secured expansion capacity are strategically located to address this growing demand. We operate our data centers to service our customers predominantly in Shanghai, Beijing, Shenzhen, Guangzhou and Chengdu, the primary financial, commercial, industrial and communications hubs in each region of China. We have also established a presence in Hong Kong which we believe is another important market for our customers.

We currently serve over 300 customers, including large Internet companies, a diverse community of approximately 140 financial institutions, telecommunications and IT service providers and large domestic private sector and multinational corporations, many of which are leaders in their respective industries. Within our customer base, we host a number of major cloud service providers, including Aliyun, the cloud computing unit of Alibaba, which is present in several of our data centers. Contracts with our large Internet customers typically have terms of three to six years, while contracts with our enterprise customers typically have terms of one to five years. We achieved an average retention rate of over 95% per annum among our Internet and financial institution customers for colocation services in our current data centers over the past two years.

As of December 31, 2015, we operated six self-developed data centers with an aggregate net floor area of 28,865 sqm in service. We also operated capacity at fifteen third-party data centers with an aggregate net floor area of 9,004 sqm in service, which we lease on a wholesale basis and use to provide colocation and managed services to our customers. As of the same date, we had a further six new self-developed data centers and one phase of an existing data center with an aggregate net floor area of 35,525 sqm under construction. In addition, we had an estimated aggregate developable net floor area in excess of 20,000 sqm held for future development.

As part of our business strategy, we held a minority interest in EDC Holding, a data center provider, prior to June 30, 2014. On June 30, 2014, we acquired the remaining equity interest of EDC Holding and

the results of operations of EDC Holding have been consolidated into our results of operations. Prior to the acquisition, EDC Holding's net revenue was primarily derived from GDS Holdings.

We derive net revenue primarily from colocation services and, to a lesser extent, managed services, which include managed hosting services and managed cloud services. We also derive some revenues from (1) consulting services that we provide in connection with our managed services where requested by customers, and (2) the sale of IT equipment that we make to colocation customers who request such equipment in connection with our colocation services.

Our net revenue grew from RMB468.3 million in 2014 to RMB703.6 million (US\$108.6 million) in 2015, representing an increase of 50.2%. Revenues from colocation services grew from RMB342.5 million in 2014 to RMB500.9 million (US\$77.3 million) in 2015, representing 73.1% and 71.2% of total net revenue, respectively. Revenue from managed services grew from RMB100.4 million in 2014 to RMB142.6 million (US\$22.0 million) in 2015, representing 21.5% and 20.3% of total net revenue, respectively. Revenue from consulting services grew from RMB8.0 million in 2014 to RMB 10.1 (US\$1.6 million) in 2015, representing 1.7% and 1.4% of total net revenue, respectively. Revenue from IT equipment sales grew from RMB 17.4 million in 2014 to RMB50.0 million (US\$7.7 million) in 2015, representing 3.7% and 7.1% of total net revenue, respectively. Over the same period, our adjusted EBITDA increased from RMB38.0 million to RMB164.7 million (US\$25.4 million). Our net loss decreased from RMB130.0 million in 2014 to RMB98.6 million (US\$15.2 million) in 2015. As of December 31, 2015, our accumulated deficit was RMB582.3 million (US\$89.9 million).

Key Factors Affecting Our Results of Operations

Our business and results of operations are generally affected by the development of China's data center services market. We have benefited from rapid growth in this market during recent years and any adverse changes in the data center services market in China may harm our business and results of operations. In addition, we believe that our results of operations are directly affected by the following key factors.

Ability to Source and Develop Data Centers

Our revenue growth depends on our ability to source and develop additional data centers. As it typically takes a minimum of twelve to eighteen months to develop a data center together with racks and equipment installed, we must commit to development in advance of realizing a benefit from our investment. We endeavor to ensure continuous availability of data center capacity to satisfy customer demand by maintaining a supply of high-performance data centers in various stages of development—from identified sites, to data centers under construction to available net floor areas in existing data centers. We expand our sourcing of new data center area by (1) acquiring or leasing property which we develop for use as data center facilities, whether through constructing on greenfield sites or converting existing industrial buildings, (2) leasing existing data center capacity from third-party wholesale providers, and (3) acquiring high-performance data centers from other companies. Our ability to maintain a growing supply of data center assets directly affects our revenue growth potential.

If we are unable to identify suitable land or facilities for new data centers or to do so at an acceptable cost to us or experience delays or increased costs during the data center design and construction development process, our ability to grow our revenue and improve our results of operations would be negatively affected. Additionally, if demand slows unexpectedly or we source and develop data centers too rapidly, the resulting overcapacity would adversely affect our results of operations.

Ability to Secure Commitments for Data Center Services from Our Customers and Minimize Move-in Periods

Due to the lengthy time period required to build data centers and the long-term nature of these investments, if we overestimate market demand for data center resources, our utilization rates, which is the ratio of area utilized to area in service would be reduced, which would adversely affect our results of operations. Our revenue growth depends on our ability to secure commitments for our data center services. We focus on obtaining these commitments during the construction phase by entering into pre-commitment agreements with customers and endeavor to maximize total area committed. While providing flexibility to customers, we also aim to minimize move-in period so as to provide billable services and to start generating revenue. Accordingly, our results of operations are highly influenced by our ability to maintain a high utilization rate. Our total area committed increased from 20,985 sqm as of December 31, 2014 to 35,918 sqm as of December 31, 2015, while area utilized increased from 15,862 sqm to 22,365 sqm over the same period. Move-in periods, and minimum commitments over the move-in period, vary significantly from customer to customer. We strive to optimize our customer mix to achieve high commitment rates and utilization rates and a high proportion of long-term relationships.

Pricing Structure and Power Costs

Our results of operations will be affected by our ability to operate our data centers efficiently in terms of power consumption. Our data centers require significant levels of power supply to support their operations. Depending on the contract, we agree with our customer to either charge them for actual power consumed or we factor it into a fixed price. The majority of our customers select pricing for a fixed amount over the contracts' service period. Accordingly, the customer's actual power usage during the life of the contract will affect its profitability to us. Optimal configuration of customers and power usage within each data center will affect our results of operations.

Utilization of Existing Capacity

Our ability to maximize profitability depends on attaining high utilization of data center net floor area and power capacity. A substantial majority of our cost of revenue and operating expenses are fixed in nature. Such costs increase with each new data center and entail additional power commitment costs, depreciation from new property plant and equipment, rental costs on leased facilities, personnel costs and start-up costs. By adopting a modular development approach, we aim to optimize resource utilization and maximize capital efficiency to improve profitability.

Cost Structure Depending on Data Center Tenure and Location

We hold our data centers through a mix of those that we own or lease. The leases typically range from three years for third-party data centers to twenty years for self-developed data centers, all with different renewal periods. The tenure of the leases and the periods during which the amount are fixed or capped under the leases will affect our cost structure in the future. In addition, if many of our data centers continue to be located close to central business districts, where rental costs are generally higher, our cost structure will also be affected.

Data Center Development and Financing Costs

Our revenue growth depends on our ability to develop data centers at commercially acceptable terms. We have historically funded data center development through additional equity or debt financing. We expect to continue to fund future developments through debt financing or through the issuance of additional equity securities if necessary and when market conditions permit. Such additional financing may not be available, may not be on commercially acceptable terms or may result in an increase to our financing costs. In addition, we may encounter development delays, excess development costs, or

challenges in attracting or retaining customers to use our data center services. We also may not be able to identify suitable land or facilities for new data centers or at a cost or terms acceptable to us.

Key Performance Indicators

Our net revenue and results of operations are largely determined by the amount of data center area in service, the degree to which data center space is committed or pre-committed as well as its utilization. Accordingly, our management uses the following key performance indicators as measures to evaluate our performance:

- **Area in service:** the net floor area of data centers in service for which one or more modules have been equipped and fitted out ready for utilization by customers.
- **Area under construction:** the net floor area of data centers which are under construction and are not yet ready for service.
- **Area committed:** the net floor area of data centers in service for which agreements from customers remain in effect.
- **Area pre-committed:** the net floor area of data centers under construction for which agreements from customers remain in effect.
- **Total area committed:** the sum of area committed and area pre-committed.
- **Commitment rate:** the ratio of area committed to area in service.
- **Pre-commitment rate:** the ratio of area pre-committed to area under construction.
- **Area utilized:** the net floor area of data centers in service that is also revenue generating pursuant to customer agreements in effect.
- **Utilization rate:** the ratio of area utilized to area in service.

The following table sets forth our key performance indicators as of December 31, 2014 and 2015.

(Sqm, %)	As of December 31,	
	2014	2015
Area in service	27,512	37,869
Area under construction	10,056	35,525
Area committed	20,985	33,140
Area pre-committed	0	2,778 ⁽¹⁾
Total area committed	20,985	35,918
Commitment rate	76.3%	87.5%
Pre-commitment rate	0%	7.8%
Area utilized	15,862	22,365
Utilization rate	57.7%	59.1%

(1) Relates to data center area for which we have entered into a letter of intent with one of our customers.

Description of Selected Statement of Operations Items

The following table sets forth our net revenue, cost of revenue and gross profit, both in an absolute amount and as a percentage of net revenue, for the periods indicated.

	Year Ended December 31,			
	2014		2015	
	RMB	% of Net Revenue	RMB	US\$
	(in thousands, except for percentages)			
Net revenue				
Service revenue	450,940	96.3	653,591	100,897
IT equipment sales	17,397	3.7	50,045	7,726
Total	468,337	100.0	703,636	108,623
Cost of revenue	(388,171)	(82.9)	(514,997)	(79,502)
Gross profit	80,166	17.1	188,639	29,121

Net Revenue

We derive net revenue primarily from colocation services and, to a lesser extent, managed services, including managed hosting services and managed cloud services. In addition, from time to time, we also sell IT equipment on a stand-alone basis or bundled in a managed hosting service contract arrangement to customers and provide consulting services. Substantially all of our service revenue is recognized on a recurring basis.

Our colocation services primarily comprise the provision of space, power and cooling to our customers for housing servers and related IT equipment. Our customers have several choices for hosting their networking, server and storage equipment. They can place the equipment in a shared or private space that can be customized to their requirements. We offer power options customized to a customer's individual power requirement. Colocation services are provided to customers for a fixed amount over the contract service period. Revenue from colocation services is recognized ratably over the term of the contractual service period.

Our managed services include managed hosting services and managed cloud services. Our managed hosting services offering comprises a broad range of value-added services, covering each layer of the data center IT value chain. Our suite of managed hosting services include technical services, network management services, data storage services, system security services, database services and server middleware services. The majority of our managed hosting services revenue is provided to customers for a fixed amount over the contract service period and billed on a monthly or quarterly basis. Revenue from managed hosting services is recognized ratably over the term of the contractual service period. Our managed cloud services deliver virtual computing and storage services to customers. We also offer solutions to assist our customers in managing their hybrid clouds.

We are subject to VAT at a rate of 6% on the IDC services we provide less any deductible VAT we have already paid or borne. We are also subject to surcharges on VAT payments in accordance with PRC law. During the periods presented, we were not subject to business tax on the services we provide.

We consider our customer to be the end user of our data center services. We may enter into contracts directly with the end user customer or through an intermediate contracting party. We have in the past derived, and believe that we will continue to derive, a significant portion of our total net revenue from a limited number of customers. We had one end user customer that generated 26.8% of our total net revenue in 2014 and two end user customers that generated 20.1% and 10.3% of our total net revenue, respectively, in 2015. No other end user customer accounted for 10% or more of our total net revenue

during those years. We expect our total net revenue will continue to be highly dependent on a limited number of end user customers who account for a large percentage of our total area committed. As of December 31, 2015, we had two end user customers who accounted for 40.8% and 15.9%, respectively, of our total area committed. No other end user customer accounted for 10% or more of the total area committed.

Cost of Revenue

Our cost of revenue consists primarily of utility costs, depreciation of property and equipment, rental costs, labor costs and others. Utility costs refer primarily to the cost of power needed to carry out our data center services. Depreciation of property and equipment primarily relates to depreciation of data center property and equipment, such as assets acquired under capital leases, leasehold improvements to data centers and other long-lived assets. Rental costs relate to the data center space we lease and use in providing services to our customers. Labor costs refer to compensation and benefit expenses for our engineering and operations personnel. These costs are largely fixed costs other than utility costs, for which there is a portion that varies proportionally to each customer's power and utility consumption and a fixed portion consisting of a monthly power commitment fee. When a new data center comes into service, we mainly incur a level of fixed utility costs that are not directly correlated with net revenue.

We expect that our cost of revenue will continue to increase as our business expands and we expect that utility costs, depreciation and amortization and rental costs will continue to comprise the largest portion of our cost of revenue. In addition, in any given period, the increase in our cost of revenue may also outpace the growth of our net revenue depending on the timing of the development of our data centers, our ability to secure customer contracts and the utilization rate of our data centers during the period. While we strive to both secure customer commitments to our data center services so that the most data center space will be utilized as possible and also to minimize the time as to when our data center area becomes operational and the customer occupies that area, these timing differences may result in fluctuation of our cost of revenue as a percentage of our net revenue between periods.

Operating Expenses

Our operating expenses consist of selling and marketing expenses, general and administrative expenses, and research and development expenses. The following sets forth our selling and marketing expenses, general and administrative expenses and research and development expenses, both in an absolute amount and as a percentage of net revenue, for the periods indicated.

	Year Ended December 31,			
	2014		2015	
	RMB	% of Net Revenue	RMB	US\$
	(in thousands, except for percentages)			
Selling and marketing expenses	40,556	8.7	57,588	8,890
General and administrative expenses	113,711	24.3	128,714	19,870
Research and development expenses	1,597	0.3	3,554	549
Total operating expenses	155,864	33.3	189,856	29,309

Selling and Marketing Expenses

Our selling and marketing expenses consist primarily of compensation, including share-based compensation, and benefit expenses for our selling and marketing personnel, business development and promotion expenses and office and traveling expenses. As our business grows, we intend to increase the headcount of our selling and marketing staff and to continue to pursue aggressive branding and marketing campaigns and, as a result, our sales and marketing expenses are expected to increase.

General and Administrative Expenses

Our general and administrative expenses consist primarily of compensation, including share-based compensation, and benefit expenses for management and administrative personnel, start-up costs incurred prior to the operation of new data centers, depreciation and amortization, office and traveling expenses, professional fees and other fees. Depreciation relates primarily to our office equipment and facilities used by our management and staff in the administrative department. Start-up costs consist of costs incurred prior to commencement of operations of a new data center, including rental costs incurred pursuant to operating leases of buildings during the construction of leasehold improvements and other miscellaneous costs. Professional fees relate primarily to audit and legal expenses. We expect our general and administrative expenses to increase as we continue to increase our staff and office space as our business grows.

In addition, upon becoming a public company, we will incur significant legal, accounting and other expenses that we have not incurred thus far as a private company, including costs associated with public company reporting requirements. We will also incur costs in order to comply with the Sarbanes-Oxley Act of 2002 and the related rules and regulations implemented by the SEC and [NYSE/NASDAQ]. Although we are unable to estimate these costs with any degree of certainty, we expect that such compliance, together with the growth and expansion of our business, will cause our general and administrative expenses to increase.

Research and Development Expenses

Research and development expenses consist primarily of compensation and benefit expenses for our research and development personnel.

Share-Based Compensation

The table below shows the effect of the share-based compensation expenses on our cost of revenue and operating expense line items, both in an absolute amount and as a percentage of net revenues, for the periods indicated.

	Year Ended December 31,				
	2014		2015		
	RMB	% of Net Revenue	RMB	US\$	% of Net Revenue
	(in thousands, except for percentages)				
Cost of revenue	2,851	0.6	484	75	0.1
Selling and marketing	1,957	0.4	325	50	0.0
General and administrative	22,525	4.8	3,252	502	0.5
Total share-based compensation expenses	27,333	5.8	4,061	627	0.6

We incurred higher share-based compensation expenses in 2014 as compared to 2015 which was due to the granting of vested shares in 2014 in compensation for past services. We expect to continue to grant share options, restricted shares and other share-based awards under our share incentive plan and incur further share-based compensation expenses in future periods.

See "—Critical Accounting Policies—Share-based Compensation" in this section for a description of what we account for the compensation cost from share-based payment transactions.

Taxation**Cayman Islands**

We are an exempted company incorporated in the Cayman Islands and conduct substantially all of our business through our PRC subsidiaries in the PRC. Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains. In addition, upon payment of dividends by us to our shareholders, no Cayman Islands withholding tax will be imposed.

British Virgin Islands

Under the current laws of BVI, we are not subject to tax on income or capital gains. In addition, upon payments of dividends by us to our shareholders, no BVI withholding tax will be imposed.

Hong Kong

Our subsidiaries in Hong Kong are subject to the Hong Kong Profits Tax rate of 16.5%.

PRC

Generally, our subsidiaries and consolidated VIEs in China are subject to enterprise income tax on their taxable income in China at a rate of 25%. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

Dividends paid by our wholly foreign-owned subsidiaries in China to our intermediary holding companies in Hong Kong will be subject to a withholding tax rate of 10%, unless the relevant Hong Kong entity satisfies all the requirements under the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income and receives approval from the relevant tax authority. If our Hong Kong subsidiary satisfies all the requirements under the tax arrangement and receives approval from the relevant tax authority, then the dividends paid to the Hong Kong subsidiary would be subject to withholding tax at the standard rate of 5%.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC Enterprise Income Tax Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. See "Risk Factors—Risks Related to Doing Business in the People's Republic of China—We may be treated as a resident enterprise for PRC tax purposes under the PRC Enterprise Income Tax Law, and we may therefore be subject to PRC income tax on our global income."

Critical Accounting Policies

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur, could materially impact the consolidated financial statements. We believe that the following accounting policies involve a higher degree of judgment and complexity in their application and require us to make significant accounting estimates. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this prospectus.

Revenue Recognition

We recognize revenue when delivery of the service or product has occurred, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

These criteria as they relate to each of the following major revenue generating activities are described below.

We derive revenue primarily from the delivery of (i) colocation services; (ii) managed hosting services and; (iii) managed cloud services. The remainder of our revenue is from IT equipment sales that are either sold on a stand-alone basis or bundled in a managed hosting service contract arrangement and consulting services.

Colocation services are services where we provide space, power and cooling to customers for housing and operating their IT system equipment in our data centers. Colocation services are provided to customers for a fixed consideration amount over the contract service period, ranging from one to six years. Revenue from colocation services is recognized on a straight line basis over the term of the contract. We have determined that our performance pattern to be straight line since the customer receives value as the services are rendered continuously during the term of the contract, the earning process is straight-line, and there is no other discernible performance pattern of recognition.

Managed hosting services are services where we provide outsourced services to manage the customers' data center operations, including data migration, IT operations, security and data storage. Managed hosting services are primarily provided to financial institution customers as a business continuity and disaster recovery solution for a fixed amount over the contract service period ranging from one to six years. Revenue from managed hosting services is recognized on a straight line basis over the term of the contract. We have determined that its performance pattern to be straight line since the customer receives value as the services are rendered continuously during the term of the contract, the earning process is straight-line, and there is no other discernible performance pattern of recognition.

In certain colocation and managed hosting service contracts, we agree to charge the customer for actual power consumed. We record the chargeable power consumption as service revenue in the consolidated statements of operations.

Revenue recognized for colocation or managed hosting and cloud services delivered prior to billing is recorded within accounts receivable. We generally bill the customer in equal instalments on a monthly or quarterly basis.

Cash received in advance from customers prior to the delivery of the colocation or managed hosting and cloud services is recorded as deferred revenue.

Managed cloud services are services where we deliver virtual storage and computing services to customers. Managed cloud services are provided to customers for a fixed amount over the subscription period, ranging from one to three years. Revenue from managed cloud services is recognized ratably over the subscription period once all requirements for recognition have been met, including provisioning the service so that it is available to the customers.

The sale of IT equipment is recognized when delivery has occurred and the customer accepts the equipment and we have no performance obligation after the delivery.

In certain managed hosting service contracts, we sell and deliver IT equipment such as servers and computer terminals prior to the delivery of the services. Since the delivered item has value to the customer on a standalone basis and there is no general right of return for the equipment, the equipment is considered a separate unit of accounting. Accordingly, the contract consideration is allocated to the equipment and the managed hosting services based on their relative standalone selling prices. The consideration allocated to the delivered equipment is not contingent on the delivery of the services or meeting other specified performance conditions. That is, payment on the equipment is due upon the delivery of the equipment and is not contingent upon the delivery of the undelivered services.

Consulting services are provided to customers for a fixed consideration amount over the service period, usually less than one year. Our consulting contracts do not specify any interim milestones (other

than for payment based on passage of time), or deliverables. We recognize revenue from consulting services using the proportional performance method based on the pattern of service provided to the customers.

Sales taxes collected from customers and remitted to governmental authorities are excluded from net revenue in the consolidated statements of operations.

Leases

Leases are classified at the lease inception date as either a capital lease or an operating lease. A lease is a capital lease if any of the following conditions exists: (a) ownership is transferred to the lessee by the end of the lease term, (b) there is a bargain purchase option, (c) the lease term is at least 75% of the property's estimated remaining economic life, or (d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. We record a capital lease as an asset and an obligation at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term.

Rental costs on operating leases are charged to expense on a straight-line basis over the lease term. Certain operating leases contain rent holidays and escalating rent. Rent holidays and escalating rent are considered in determining the straight-line rent expense to be recorded over the lease term.

Rental costs associated with building operating leases that are incurred during the construction of leasehold improvements and to otherwise ready the property for our intended use are recognized as rental expenses and are not capitalized.

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in the acquisition of EDC Holding that are not individually identified and separately recognized.

Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the stock prices, business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. Application of the goodwill impairment test requires judgment, including the identification of the reporting unit, assignment of assets and liabilities to the reporting unit, assignment of goodwill to the reporting unit, and determination of the fair value of each reporting unit. Estimating fair value is performed by utilizing various valuation techniques, with a primary technique being a discounted cash flow which requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long term rate of growth for our business, estimation of the useful life over which cash flows will occur, and determination of our weighted average cost of capital.

We have the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value prior to performing the two-step goodwill impairment test. If it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required. If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and we perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price

allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. We perform our annual impairment review of goodwill at December 31 of each year.

Impairment of Long-Lived Assets

Long-lived assets, such as property and equipment, intangible assets subject to amortization and prepaid land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, we first compare undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Share-based Compensation

We adopted our equity incentive plan in July 2014, or the 2014 Plan, for the granting of share options to key employees, directors and external consultants in exchange for their services. The total number of shares that may be issued under the 2014 Plan is 29,240,000 ordinary shares.

Options to Director, Officers and Employees

In July 2014, we granted 12,394,753 share options to employees, officers and directors at an exercise price of US\$0.7792 per option. The options have a contractual term of five to six years.

The options vest in accordance with the vesting schedules set out in the respective share option agreements as follows: (i) 63% on the date of grant, $\frac{1}{48}$ each month thereafter; (ii) 71% on the date of grant, $\frac{1}{48}$ each month thereafter; (iii) 75% on the date of grant, $\frac{1}{48}$ each month thereafter; or (iv) 95% on the date of grant, $\frac{1}{40}$ each month thereafter.

Options to Non-employee Consultants

In July 2014, we granted the following share options to external consultants at an exercise price of US\$0.7792 per option. The options have a contractual term of five years.

The services performed or to be performed by these external consultants include marketing, technical consultancy, manage telecommunication relationships, strategic, business, operation, and financial planning services.

- 4,158,315 share options to a group of external consultants. Such options vested immediately on the date of grant for services performed and completed by the consultants.
- 1,275,000 share options to a consultant. 75% of the options (or 956,250 options) vested immediately on the date of grant for services performed and completed while the remaining 318,750 options vest monthly thereafter in eleven equal monthly instalments for future ongoing services. As of December 31, 2014, 185,938 options remained unvested. As of December 31, 2015, all options were vested.
- 400,000 share options to a group of external consultants for future services upon a qualified initial public offering, or QIPO. $\frac{1}{3}$ of the options vest upon the completion of a QIPO, $\frac{1}{3}$ vest upon the 2nd anniversary of a QIPO and $\frac{1}{3}$ vest upon the third anniversary of a QIPO. As of December 31, 2014 and 2015, 400,000 options remained unvested.

In January 2015, we granted 1,000,000 share options to an external consultant at an exercise price of US\$0.7792 per option. The options vest every six months in six equal instalments for future ongoing services. The options have a contractual term of five years. As of December 31, 2015, 666,667 options remained unvested.

These consulting service contracts do not contain a performance commitment. Options to non-employees are forfeitable if not vested. We determined that these non-employee options are considered indexed to our own stock and would be equity-classified.

Options that are forfeitable and vest upon the non-employee providing future services are measured at the fair value of the date the performance is completed, which generally coincides with the date on which the options vest and are no longer forfeitable. Such options are treated as unissued for accounting purposes until the future services are performed by the non-employees and received by us (that is, the options are not considered issued until they vest). During reporting periods prior to completion of performance, we measure the cost of the services based on the fair value of the share options at each reporting date using the valuation model applied in previous periods. The portion of the services that the non-employee has rendered is applied to the current measure of fair value to determine the cost to recognize. Changes in our share price from the grant date to the vesting date result in adjustments to the reported costs of services in each period until performance is completed.

A summary of the share option activities is as follows:

	Number of options
Options outstanding at January 1, 2014	—
Granted	17,642,130
Forfeited	(178,923)
Options outstanding at December 31, 2014	17,463,207
Granted	519,271
Forfeited	(788,944)
Options outstanding at December 31, 2015	17,193,534

As of December 31, 2015, 1,066,667 forfeitable and unvested non-employee options, respectively, were treated as unissued for accounting purposes and were not included in the table above.

We estimated the fair value of share options using the binomial option-pricing model with the assistance from an independent valuation firm. The fair value of each option grant up to January 2015 is estimated on the date of grant with the following assumptions.

Grant date:	July 2014	January 2015
Risk-free rate of return	2.25%	2.27%
Volatility	31.40%	29.80%
Expected dividend yield	—	—
Exercise multiple	2.20	2.20
Fair value of underlying ordinary share	US\$0.8800	US\$0.9000
Expected term	5-6 years	5 years
Discount for lack of marketability	10.00%	10.00%
Discount rate	13.00%	11.40%

Determining the fair value of our ordinary shares required us to make complex and subjective judgments, assumptions and estimates, which involved inherent uncertainty. Had we used different assumptions and estimates, the resulting fair value of our ordinary shares and the resulting share-based compensation expenses could have been different.

The following table sets forth the fair value of our ordinary shares estimated at different times with the assistance from an independent valuation firm.

Date	Fair Value per Ordinary Shares		Discount for Lack of Marketability	Discount Rate	Purpose of Valuation
	(RMB)	(US\$)			
July, 2014	5,4600	0.8800	10%	13.0%	Share options grant
January, 2015	5,8300	0.9000	10%	11.4%	Share options grant

In determining the fair value of our ordinary shares, we applied the income approach / discounted cash flow, or DCF, analysis based on our projected cash flow using management's best estimate as of the valuation date. The determination of the fair value of our ordinary shares requires complex and subjective judgments to be made regarding our projected financial and operating results, our unique business risks, the liquidity of our shares and our operating history and prospects at the time of valuation.

The major assumptions used in calculating the fair value of ordinary shares include:

- *Weighted average cost of capital, or WACC:* WACCs of 13.0% and 11.4% were used for dates as of July 2014 and January, 2015, respectively. The WACCs were determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systematic risk factors.
- *Comparable companies:* In deriving the WACCs, which are used as the discount rates under the income approach, ten publicly traded companies were selected for reference as our guideline companies. The guideline companies were selected based on the following criteria: (i) operate data centers or providing Internet data center services and (ii) China-based companies that are publicly listed in the United States or United States based and publicly listed companies.
- *Discount for lack of marketability, or DLOM:* DLOM was quantified by the binomial option pricing model. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The lower DLOM is used for the valuation, the higher is the determined fair value of the ordinary shares. DLOM remained 10% in the period from 2014 to 2015.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. Our net revenue growth rates, as well as major milestones that we have achieved, contributed to the increase in the fair value of our ordinary shares from July 2014 to January 2015. However, these fair values are inherently uncertain and highly subjective. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include: no material changes in the existing political, legal and economic conditions in China; our ability to retain competent management, key personnel and staff to support our ongoing operations; and no material deviation in market conditions from economic forecasts. These assumptions are inherently uncertain. The risk associated with achieving our forecasts were assessed in selecting the appropriate discount rates.

In addition to the above share option grants, on May 1, 2016, we granted 11,084,840 share options to employees, officers and directors.

These share options were fully vested upon the date of grant for past services and had an exercise price of US\$0.7792 (RMB5.0328) per option. The options have a contractual term of five years. We are evaluating the fair values of the ordinary share and the share options. Based on our best estimate, the estimated fair value of its ordinary share on the date of the grant was approximately US\$1.6 (RMB10.3342) per share and total share-based compensation expenses to be recognized is approximately RMB62 million. Upon completion of the fair value analysis, we will revise these estimates, and such revisions are not expected to be materially different from these current estimates.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. We recognize the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. We record interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

Uncertainties exist with respect to how the current income tax law in the PRC applies to our overall operations, and more specifically, with regard to tax residency status. The Enterprise Income Tax Law includes a provision specifying that legal entities organized outside the PRC are considered residents for Chinese income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the Enterprise Income Tax Law provide that non-resident legal entities are considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc., occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, we do not believe that the legal entities organized outside the PRC should be treated as residents for Enterprise Income Tax Law purposes. If the PRC tax authorities subsequently determine that we and our subsidiaries registered outside the PRC are deemed resident enterprises, we and our subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%.

If we were to be non-resident for PRC tax purposes, dividends paid to us from profits earned by the PRC subsidiaries after January 1, 2008 would be subject to a withholding tax. The PRC Corporate Income Tax, or CIT law, and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its non-PRC-resident corporate investor for earnings generated beginning on January 1, 2008. Undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax. We have not recognized any deferred tax liability for the undistributed earnings of the PRC-resident enterprise as of December 31, 2014 and 2015, as we plan to permanently reinvest these earnings in the PRC. See "Risk Factors—Risks Related to Doing Business in the People's Republic of China—Dividends payable to our foreign investors and gains on the sale of our ADSs or ordinary shares by our foreign investors may become subject to PRC tax" and "—We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a Chinese establishment of a non-Chinese company, or immovable properties located in China owned by non-Chinese companies."

Results of Operations

The following table sets forth a summary of our consolidated results of operations for the years ended December 31, 2014 and 2015. This information should be read together with our audited consolidated financial statements and related notes included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,				
	2014		2015		
	RMB	%	RMB	US\$	%
	(in thousands, except for percentages)				
Consolidated Statements of Operations Data:					
Net revenue	468,337	100.0	703,636	108,623	100.0
Cost of revenue	(388,171)	(82.9)	(514,997)	(79,502)	(73.2)
Gross profit	80,166	17.1	188,639	29,121	26.8
Operating expenses					
Selling and marketing expenses	(40,556)	(8.7)	(57,588)	(8,890)	(8.2)
General and administrative expenses	(113,711)	(24.3)	(128,714)	(19,870)	(18.3)
Research and development expenses	(1,597)	(0.3)	(3,554)	(549)	(0.5)
Loss from operations	(75,698)	(16.2)	(1,217)	(188)	(0.2)
Other income (expenses)					
Net interest expense	(124,973)	(26.6)	(125,546)	(19,381)	(17.9)
Foreign currency exchange (loss) gain, net	(875)	(0.2)	11,107	1,715	1.6
Government grants	4,870	1.0	3,915	604	0.6
Gain on remeasurement of equity investment	62,506	13.4	—	—	—
Others, net	(412)	(0.1)	1,174	181	0.2
Loss before income taxes	(134,582)	(28.7)	(110,567)	(17,069)	(15.7)
Income tax benefits	4,583	0.9	11,983	1,850	1.7
Net loss	(129,999)	(27.8)	(98,584)	(15,219)	(14.0)

Effect of Acquisition of EDC Holding Limited

On June 30, 2014, we acquired EDC Holding from its shareholders whereby we issued shares to EDC Holding's shareholders in exchange for their shares in EDC Holding. Pursuant to the terms of the agreement, we issued 199,163,164 shares in exchange for approximately 93% of the shares in EDC Holding which we did not already own. Since the date of the acquisition, EDC Holding has been our wholly-owned subsidiary and has been consolidated with our results of operations. Prior to the acquisition and for the period from January 1, 2014 to June 30, 2014, EDC Holding had a net revenue of RMB67.3 million (including net revenue derived from GDS Holdings of RMB55.9 million), incurred operating expenses of RMB28.2 million and interest expenses of RMB29.9 million, which is not included in our results of operations for the year ended December 31, 2014. EDC Holding had a net revenue of RMB17.9 million (excluding net revenue from GDS Holdings which is eliminated upon consolidation), incurred operating expenses of RMB39.7 million and interest expenses of RMB34.1 million for the period from July 1, 2014 to December 31, 2014, which is included in our results of operations for the year ended December 31, 2014.

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

Our net revenue increased by 50.2% to RMB703.6 million (US\$108.6 million) in 2015 from RMB468.3 million in 2014. This increase was due to increases in both service revenue and IT equipment sales. Service revenue increased by RMB202.7 million (US\$31.3 million), comprising an increase in revenue

from colocation services of RMB158.4 million (US\$24.5 million), an increase in revenue from managed services of RMB42.2 million (US\$6.5 million) and an increase in revenue from consulting services of RMB2.1 million (US\$0.3 million). These increases were mainly due to (i) an increase in area utilized from 15,862 sqm to 22,365 sqm from December 31, 2014 to December 31, 2015 as customers with commitments physically moved into the data center area, (ii) the signing of new service contracts by customers who commenced utilizing services during the period and (iii) the commencement of operations of one of our Shanghai and one of our Beijing data center facilities that we designate as SH2 and BJ1.

IT equipment sales increased by RMB32.6 million (US\$5.0 million) because of sales of equipment to new customers in 2015.

Cost of Revenue

Our cost of revenue increased by 32.7% to RMB515.0 million (US\$79.5 million) in 2015 from RMB388.2 million in 2014. This increase was primarily due to an increase of 22.9% in utility costs to RMB140.0 million (US\$21.5 million) from RMB113.6 million in 2014, and an increase of 84.6% in depreciation and amortization costs to RMB131.1 million (US\$20.2 million) in 2015 from RMB71.0 million in 2014. Increases in both utility costs and depreciation and amortization costs are largely a result of increase in new data center facilities. In addition, the increase in cost of revenue was due to (1) an increase of RMB11.7 million (US\$1.8 million) for the cost of equipment sold in 2015 and (2) an increase in personnel costs of RMB15.0 million (US\$2.3 million) in connection with more data centers coming into service in 2015. Cost of revenue as percentage of net revenue decreased to 73.2% in 2015 from 82.9% in 2014. This decrease was primarily due to improved economies of scale and operating leverage arising from a higher utilization rate.

Operating Expenses

Our operating expenses increased by 21.8% to RMB189.9 million (US\$29.3 million) in 2015 from RMB155.9 million in 2014. This increase was primarily due to increases in selling and marketing expenses. Our operating expenses as a percentage of our net revenue decreased to 27.0% in 2015 from 33.3% in 2014.

Selling and Marketing Expenses. Our selling and marketing expenses increased 42.0% to RMB57.6 million (US\$8.9 million) in 2015 from RMB40.6 million in 2014. This increase was primarily attributable to increased sales and marketing costs mainly due to increased personnel costs for bonuses paid for successful sales and the hiring of two senior sales personnel. Our selling and marketing expenses as a percentage of net revenue decreased slightly to 8.2% in 2015 from 8.7% in 2014.

General and Administrative Expenses. Our general and administrative expenses increased by 13.2% to RMB128.7 million (US\$19.9 million) in 2015 from RMB113.7 million in 2014. This increase was primarily due to an increase in personnel costs of RMB6.6 million (US\$1.0 million), an increase in start-up costs of RMB9.5 million (US\$1.5 million), or from RMB16.2 million in 2014 to RMB25.7 million (US\$4.0 million) in 2015, which were incurred prior to the commencement of operation of new data centers, and during the development of new data centers, as well as an increase in depreciation and amortization of office-related property and equipment, office, travel and miscellaneous expenses associated with the continued growth of our operations of RMB18.2 million (US\$2.8 million). The increase in general and administrative expenses were partially offset by a decrease of RMB19.3 million (US\$3.0 million) in share-based compensation expenses related to our 2014 Plan, which was due to the grant of vested shares in 2014 in compensation for past services. Our general and administrative expenses as a percentage of net revenue decreased to 18.3% in 2015 from 24.3% in 2014, which was primarily due to higher share-based compensation expenses in 2014.

Research and Development Expenses. Our research and development expenses increased by 122.5% to RMB3.6 million (US\$0.5 million) in 2015 from RMB1.6 million in 2014. This increase was primarily a result of increased payroll and related personnel costs. Our research and development expenses as a percentage of net revenue increased slightly to 0.5% in 2015 from 0.3% in 2014.

Other income (expenses)

Interest Income. Our interest income decreased by 80.5% to RMB1.4 million (US\$0.2 million) in 2015 from RMB6.9 million in 2014. The decrease was primarily a result of a lower average cash balance in 2015 as compared with 2014.

Interest Expenses. Our interest expenses decreased by 3.8% to RMB126.9 million (US\$19.6 million) in 2015 from RMB131.9 million in 2014. In 2014, interest expenses included a charge of RMB34.1 million related to the debt discount of our bonds due June 10, 2015 issued to an investor. Excluding this charge, our interest expenses incurred increased from RMB97.8 million in 2014 to RMB126.9 million as a result of an increase in our bank borrowings and capital lease obligations.

Foreign currency exchange (loss) gain, net. Changes in currency rates resulted in a gain of RMB11.1 million (US\$1.7 million) in 2015 as compare to a loss of RMB0.9 million in 2014, primarily due to the appreciation of the U.S. dollar relative to Renminbi in 2015.

Government grants. Income from government grants decreased by 19.6% to RMB3.9 million (US\$0.6 million) in 2015 from RMB4.9 million in 2014.

Gain on remeasurement of equity investment. Gain on remeasurement of equity investment was nil in 2015 and RMB62.5 million in 2014, reflecting the gain arising from the remeasurement of our pre-acquisition equity interests in EDC Holding to fair value.

Income tax benefits. Income tax benefits increased to RMB12.0 million (US\$1.9 million) in 2015 from RMB4.6 million in 2014. This increase was primarily due to a decrease in the valuation allowance on deferred tax asset provided in 2015 compared to 2014.

Net Loss. As a result of the foregoing, net loss decreased to RMB98.6 million (US\$15.2 million) in 2015 from RMB130.0 million in 2014.

Selected Unaudited Quarterly Results of Operations

The following table presents our unaudited consolidated results of operations for the three-month periods ended on the dates indicated. You should read the following table in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. We have prepared the unaudited consolidated quarterly financial information on the same basis as our audited consolidated financial statements. This unaudited consolidated financial information includes all

adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair representation of our financial position and operating results for the quarters presented.

	For the Three Months Ended,				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
	RMB	RMB	RMB	RMB	RMB
	(in thousands)				
Consolidated Statements of Operations Data:					
Net revenue	149,523	155,271	189,750	209,092	211,099
Cost of revenue	(107,854)	(113,665)	(138,911)	(154,567)	(156,896)
Gross profit	41,669	41,606	50,839	54,525	54,203
Operating expenses					
Selling and marketing expenses	(10,133)	(13,361)	(15,550)	(18,544)	(13,734)
General and administrative expenses ⁽¹⁾	(28,397)	(30,440)	(37,301)	(32,576)	(28,489)
Research and development expenses	(599)	(658)	(801)	(1,496)	(1,987)
Income (loss) from operations	2,540	(2,853)	(2,813)	1,909	9,993
Other income (expenses)					
Net interest expense	(30,516)	(29,924)	(29,620)	(35,486)	(52,963)
Foreign currency exchange (loss) gain, net	3,137	1,319	5,258	1,393	(1,391)
Government grants	515	515	1,182	1,703	515
Others, net	1,140	222	(13)	(175)	147
Loss before income taxes	(23,184)	(30,721)	(26,006)	(30,656)	(43,699)
Income tax benefits	2,954	3,687	2,861	2,481	4,921
Net loss	(20,230)	(27,034)	(23,145)	(28,175)	(38,778)

(1) General and administrative expenses include start-up costs incurred prior to commencement of operations of a new data center, including rental costs incurred pursuant to operating leases of buildings during the construction of leasehold improvements and other miscellaneous costs. These start-up costs amounted to RMB5.6 million, RMB6.0 million, RMB11.1 million, RMB3.0 million and RMB3.2 million for the three months ended March 31, 2015, June 30, 2015, September 30, 2015, December 31, 2015 and March 31, 2016, respectively.

Key Financial Metrics

We monitor the following key financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our business strategies and assess operational efficiencies:

	For the Three Months Ended,				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
Other Consolidated Financial Data:					
Gross margin ⁽¹⁾	27.9%	26.8%	26.8%	26.1%	25.7%
Operating income (loss) margin ⁽²⁾	1.7%	(1.8)%	(1.5)%	0.9%	4.7%
Net loss margin ⁽³⁾	(13.5)%	(17.4)%	(12.2)%	(13.5)%	(18.4)%

(1) Gross profit as a percentage of net revenue.

(2) Income (loss) from operations as a percentage of net revenue.

(3) Net loss as a percentage of net revenue.

We have experienced consistent growth in our quarterly net revenues for the five quarters in the period from January 1, 2015 to March 31, 2016. The growth in our quarterly net revenues was attributable to increases in net revenues from our colocation services as well as managed services. The growth in our quarterly net revenues was primarily due to the increases in colocation services with the increase in area utilized as we began generating revenue from customers with existing commitments, and the growth in the sales to our existing customers driven by increased demand for our managed services.

With the launch of new data centers located in Shanghai and Beijing during the third quarter in 2015, gross margin decreased slightly in the following quarters due to the high fixed costs with low utilization rate for those new data centers.

We may experience fluctuations in our quarterly results of operations after this offering, for the reasons given above or other reasons, which may be significant. See "Risk Factors—Risks Related to Our Business and Industry—Our operating results may fluctuate, which could make our future results difficult to predict and could cause our operating results to fall below investor or analyst expectations."

Non-GAAP Measures

In evaluating our business, we consider and use the following non-GAAP measures as supplemental measures to review and assess our operating performance:

	For the Three Months Ended,				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
	RMB	RMB	RMB	RMB	RMB
	(in thousands, except for percentages)				
Other Consolidated Financial Data:					
Adjusted EBITDA ⁽¹⁾	38,958	34,797	42,684	48,262	53,350
Adjusted EBITDA margin ⁽²⁾	26.1%	22.4%	22.5%	23.1%	25.3%

(1) Adjusted EBITDA is defined as net income or net loss excluding interest expense (net of interest income), incomes taxes, depreciation and amortization, accretion of asset retirement obligations and share-based compensation expenses.

(2) Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of net revenue.

Non-GAAP Measures

Our management and board of directors use adjusted EBITDA and adjusted EBITDA margin, which are non-GAAP financial measures, to evaluate our operating performance, establish budgets and develop operational goals for managing our business. For more information concerning our management's use of these measures, please see "Prospectus Summary—Summary Consolidated Financial and Operating Data—Non-GAAP Measures" elsewhere in this prospectus.

The following table reconciles our adjusted EBITDA in the periods presented to the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP, which is net income or net loss:

	For the Three Months Ended,				
	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016
	RMB	RMB	RMB	RMB	RMB
	(in thousands, except for percentages)				
Net loss	(20,230)	(27,034)	(23,145)	(28,175)	(38,778)
Net interest expense	30,516	29,924	29,620	35,486	52,963
Income tax benefit	(2,954)	(3,687)	(2,861)	(2,481)	(4,921)
Depreciation and amortization	30,411	33,557	38,806	42,632	43,951
Accretion expenses for asset retirement costs	39	47	77	92	135
Share-based compensation expenses	1,176	1,990	187	708	—
Adjusted EBITDA	38,958	34,797	42,684	48,262	53,350
Adjusted EBITDA margin	26.1%	22.4%	22.5%	23.1%	25.3%

Liquidity and Capital Resources

Our primary sources of liquidity have been cash flow from short- and long-term borrowings, including borrowings from related parties, and issuance of equity securities and convertible bonds, which have historically been sufficient to meet our working capital and substantially all of our capital expenditure requirements. We have also historically financed capital expenditures through capital leases. As of December 31, 2015, we had cash of approximately RMB924.5 million (US\$142.7 million). In addition, as of December 31, 2015, we also had short-term borrowings and current portion of long-term borrowings and long-term borrowings (excluding current portion) of RMB428.2 million (US\$66.1 million) and RMB958.3 million (US\$147.9 million), respectively.

Based on our current level of operations and available cash, we believe our available cash, cash flows from operations, committed funding from the issuance of convertible bonds due 2019 will provide sufficient liquidity to fund our current obligations, projected working capital requirements, debt service requirements and capital spending requirements at least for the next 12 months. However, we may require additional cash resources due to changing business conditions or other future developments, including any investments or acquisitions we may decide to selectively pursue. If our existing cash resources are insufficient to meet our requirements, we may seek to sell equity or equity-linked securities, debt securities or borrow from banks. We cannot assure you that financing will be available in the amounts we need or on terms acceptable to us, if at all. The sale of additional equity securities, including convertible debt securities, would result in additional dilution to our shareholders. The incurrence of indebtedness and issuance of debt securities would result in debt service obligations and could result in operating and financial covenants that restrict our operations and our ability to pay dividends to our shareholders. If we were unable to obtain additional equity or debt financing as required, our business, operations and prospects and our ability to maintain our desired level of revenue growth may suffer materially.

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

regulations, our PRC subsidiaries are each required to set aside a portion of their after-tax profits each year to fund certain statutory reserves, and funds from such reserves may not be distributed to us as cash dividends except in the event of liquidation of such subsidiaries.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in RMB. Under our current corporate structure, our company in the Cayman Islands may rely on dividend payments from our PRC subsidiaries to fund any of our cash and financing requirements. Under China's existing foreign exchange regulations, our PRC subsidiaries are able to make payments of current accounts, such as dividends, to their offshore holding companies, in foreign currencies, without prior approval from SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities will be required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. There is no requirement imposed on investors to complete registration or obtain approval from appropriate government authorities before they can receive dividend payments from our company in the Cayman Islands. See "Risk Factors—Risks Related to Doing Business in the People's Republic of China—Restrictions on currency exchange may limit our ability to utilize our net revenue effectively." These statutory limitations affect, and future covenant debt limitations might affect, our PRC subsidiaries' ability to pay dividends to us.

As of December 31, 2015, our cash and restricted cash were deposited in major financial institutions located in PRC, Hong Kong, and the Cayman Islands, and the denomination of our cash and restricted cash is disclosed in note 2(bb) of our consolidated financial statements included elsewhere in this prospectus. We currently believe that such limitations will not impact our ability to meet our ongoing short-term cash obligations although we cannot assure you that such limitations will not affect our ability in the future to meet our short-term cash obligations and to distribute dividends to our shareholders. See "Risk Factors—Risks Related to Doing Business in the People's Republic of China—We rely to a significant extent on dividends and other distributions on equity paid by our principal operating subsidiaries to fund offshore cash and financing requirements" and "—Statutory Reserves."

We do not plan for our PRC subsidiaries to pay dividends in the foreseeable future and we intend for those subsidiaries to retain any future earnings for use in the operation and expansion of our business in China. Accordingly, our ability to pay dividends and finance debt will be affected by this current plan. In the future, we may take advantage of financing options available to us in connection with any dividend payments we may make or repayments of any offshore indebtedness we may incur. For example, we may fund dividend payments through offshore debt, whether unsecured or secured by the assets of our onshore consolidated entities. In order to service offshore debt, we may rely upon financing options through the capital markets, including issuances of equity or debt securities, the proceeds of which we may use to service offshore debt.

Pursuant to the PRC Enterprise Income Tax Law, a withholding tax rate of 10% currently applies to dividends paid by a PRC "resident enterprise" to a foreign enterprise investor, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for preferential tax treatment. Accordingly, if in the future our PRC subsidiaries that are considered "resident enterprises" pay dividends to the Hong Kong subsidiary that holds such PRC subsidiary, any such dividend may be subject to a withholding tax of 10%. Such withholding tax rate may be lowered to 5% if a Hong Kong resident enterprise owns no less than 25% of a PRC enterprise. However, the 5% withholding tax rate does not automatically apply and certain requirements must be satisfied. See "Risk Factors—Risks Related to Doing Business in the People's Republic of China—We may not be able to obtain certain benefits under the relevant tax treaty on dividends paid by our PRC subsidiary to us through our Hong Kong subsidiary."

As a result of these laws, rules and regulations relating to statutory reserves, foreign exchange conversion and withholding taxes described above, our subsidiaries incorporated in China are restricted in their ability to transfer a portion of their respective net assets to their offshore holding companies as

dividends, loans or advances. As of December 31, 2015, the restricted assets was RMB1,323.1 million (US\$204.3 million), all of which consisted of registered capital. The statutory reserve of our PRC subsidiaries was nil as of December 31, 2015. Our PRC subsidiaries did not have any retained earnings available for distribution in the form of dividends as of December 31, 2015.

The following table sets forth a summary of our cash flow for the periods indicated.

	For the Year Ended December 31,		
	2014	2015	
	RMB	RMB	US\$
Net cash provided by/(used in) operating activities	27,937	(80,298)	(12,396)
Net cash used in investing activities	(523,749)	(731,905)	(112,987)
Net cash provided by financing activities	1,056,287	1,127,685	174,085
Effect of exchange rate changes on cash	(2,328)	2,258	349
Net increase in cash	558,147	317,740	49,051
Cash at beginning of year	48,611	606,758	93,667
Cash at end of year	606,758	924,498	142,718

Operating Activities

Cash flow used in operating activities was RMB80.3 million (US\$12.4 million) in 2015 compared to cash provided by operating activities of RMB27.9 million in 2014.

Cash flow used in operating activities was RMB80.3 million (US\$12.4 million) in 2015, primarily due to a net loss of RMB98.6 million (US\$15.2 million), adjusted for (i) depreciation and amortization of RMB145.4 million (US\$22.4 million), primarily relating to our data center property and equipment; (ii) deferred tax benefits of RMB10.6 million (US\$1.6 million), (iii) stock compensation expenses of RMB4.1 million (US\$0.6 million) mainly as a result of increases in personnel as our operations expanded, and (iv) changes in working capital. Adjustments for changes in working capital primarily consisted of (i) an increase of VAT recoverable of RMB41.4 million (US\$6.4 million) due to an increase in payment of VAT as a result of the expansion of our business; (ii) an increase of accounts receivable of RMB37.6 million (US\$5.8 million) due to increased sales; (iii) an increase in non-current assets of RMB22.8 million (US\$3.5 million) due to more rental deposits paid for newly rented data centers; (iv) an increase in prepaid expense of RMB15.0 million (US\$2.3 million) due to increased prepayments for utility and network expenses; and (v) an increase of other current assets of RMB12.3 million (US\$1.9 million) due to an increase of purchased IT equipment awaiting sale, partially offset by an increase in other long-term liabilities of RMB15.3 million (US\$2.4 million) due to the increase in accrued interests.

Cash flow provided by operating activities was RMB27.9 million in 2014, primarily due to a net loss of RMB130.0 million, adjusted for (i) depreciation and amortization of RMB82.8 million; (ii) gain on re-measurement of equity investment of RMB62.5 million for our previously held equity investment in EDC Holdings; (iii) amortization of debt issuance costs and debt discount of RMB33.9 million related to the debt discount of our bonds due 2015; (iv) stock compensation expenses of RMB27.3 million as a result of the grant of stock options in July 2014; (v) deferred tax benefits of RMB5.0 million; and (vi) changes in working capital. Adjustments for changes in working capital primarily consisted of a decrease in other current assets of RMB81.3 million, primarily due to the receipt of services from EDC Holdings amounting to RMB59.2 million prior to the date of our acquisition of EDC Holdings.

Investing Activities

Cash flow used in investing activities was RMB731.9 million (US\$113.0 million) in 2015, compared to RMB523.7 million in 2014.

Net cash used in investing activities was RMB731.9 million (US\$113.0 million) in 2015, which was primarily due to payments for purchase of property and equipment of RMB733.0 million (US\$113.2 million) in the development of our data centers, partially offset by the release of restricted cash related to purchase of property and equipment of RMB1.0 million (US\$0.2 million).

Net cash used in investing activities was RMB523.7 million in 2014 and was due primarily to payments for purchase of property and equipment of RMB248.3 million, loans of RMB307.0 million loan made to EDC Holding prior to the acquisition, payments for an acquisition made by EDC Holding of RMB13.6 million, offset by cash received from the acquisition of EDC Holding of RMB41.0 million and the release of restricted cash related to purchase of property and equipment of RMB4.1 million.

Financing Activities

Net cash provided by financing activities was RMB1,127.7 million (US\$174.1 million) in 2015, compared to RMB1,056.3 million in 2014.

Net cash provided by financing activities was RMB1,127.7 million (US\$174.1 million) in 2015, which was primarily due to proceeds from short-term borrowing of RMB333.0 million (US\$51.4 million), proceeds from long-term borrowing of RMB584.5 million (US\$90.2 million), proceeds from issuance of bonds payable of RMB649.0 million (US\$100.2 million) and proceeds from a related party loan of RMB64.9 million (US\$10.0 million), which was partially offset by repayment of short-term borrowings of RMB289.0 million (US\$44.6 million), repayment of long-term borrowings of RMB137.7 million (US\$21.3 million), payment of issuance cost of borrowing of RMB24.3 million (US\$3.8 million), repayment of bonds payable of RMB14.3 million (US\$2.2 million) and repurchase of redeemable preferred shares of RMB23.3 million (US\$3.6 million) and payment under capital lease obligations of RMB17.9 million (US\$2.8 million).

Net cash provided by financing activities was RMB1,056.3 million in 2014, which was primarily due to proceeds from short-term borrowing of RMB298.3 million, proceeds from long-term borrowing of RMB200.0 million and proceeds from bonds payable of RMB115.0 million and proceeds from the issuance of redeemable preferred shares of RMB1,521.3 million, which was partially offset by repayment of short-term borrowings of RMB357.3 million, repayment of long-term borrowings of RMB115.9 million, payments of issuance costs of redeemable preferred shares of RMB20.1 million, repurchase of ordinary shares of RMB119.7 million, repurchase of redeemable preferred shares of RMB455.4 million and payment under capital lease obligations of RMB9.1 million.

Statutory Reserves

Under applicable PRC laws and regulations, foreign-invested enterprises in China are required to provide for certain statutory reserves, namely a general reserve, an enterprise expansion fund and a staff welfare and bonus fund. Pursuant to such laws and regulations, we may pay dividends only out of our after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. Further, we are required to allocate at least 10% of our after-tax profits to fund the general reserve until such reserve has reached 50% of our registered capital. In addition, we may also set aside, at our or our Board's discretion, a portion of our after-tax profits to fund the employee welfare and bonus fund. These reserves may only be used for specific purposes and are not distributable to us in the form of loans, advances, or cash dividends.

As of December 31, 2014 and 2015, we had nil and nil, respectively, in our statutory reserves.

Capital Expenditures

We had capital expenditures of RMB248.3 million and RMB733.0 million (US\$113.2 million) in 2014 and 2015, respectively. Our capital expenditures were primarily for the purchase of equipment as well as land use rights and leasehold-improvement of data centers. Our capital expenditures have been primarily

funded by net cash provided by financing activities. In 2016 and 2017, we expect to incur further capital expenditure in connection with the development of data centers under construction and data center resources held for future development that move into the construction phase.

Contractual Obligations

The following table sets forth our contractual obligations as of December 31, 2015:

	Payment due by period				
	Total	Less than 1 Year	1 - 3 Years (in thousands of RMB)	3 - 5 Years	More than 5 Years
Short-term borrowings and interests ⁽¹⁾	343,365	343,365	—	—	—
Long-term borrowings and interests ⁽¹⁾	1,355,864	194,217	633,375	460,401	67,871
Convertible bonds and interests ⁽²⁾	908,924	32,468	64,936	811,520	—
Capital lease obligations ⁽³⁾	812,967	51,591	124,957	241,168	395,251
Operating lease commitments ⁽³⁾	875,819	111,389	166,676	116,300	481,454
Lease commitment but not commenced ⁽⁴⁾	1,189,954	8,565	74,901	106,188	1,000,300
Capital commitments ⁽⁵⁾	272,958	160,448	112,510	—	—
Total	5,759,851	902,043	1,177,355	1,735,577	1,944,876

- (1) The interests are calculated using the effective interest rate as of December 31, 2015 for each loan.
- (2) Includes cash interest and assumes through 2019 no conversion into ordinary shares of our convertible bonds due 2019.
- (3) Represent minimum lease payments.
- (4) Lease commitment but not commenced represents the total minimum lease payments of those properties for which the leases commence in 2016 or upon the completion of the construction of the properties.
- (5) Capital commitments primarily consist of purchases of equipment and maintenance services.

Long-term borrowings

Certain of our long-term borrowings contain financial covenants. An outstanding loan of RMB7.3 million and RMB2.8 million (US\$0.4 million) as of December 31, 2014 and 2015, respectively, borrowed by a subsidiary of ours contains a financial covenant that requires the subsidiary to keep a minimum cash of RMB1.3 million (US\$0.2 million) at the bank at all times. The loan agreement also requires that both the subsidiary and we, as a guarantor, maintain minimum quarterly revenues thresholds as specified in the loan agreement. As of December 31, 2014 and 2015, we were in compliance with such covenants.

A subsidiary of ours borrowed an outstanding entrust loan of RMB200.0 million and RMB199.8 million (US\$30.8 million) as of December 31, 2014 and 2015, respectively, through a third party bank that contains financial covenants. The covenants require that the subsidiary's outstanding loans (exclusive of this entrust loan and any other entrust loans) should be within a range of RMB130.0 million (US\$20.1 million) and RMB240.0 million (US\$37.0 million), or the borrowing range, and the total pledged assets cannot exceed RMB20.0 million (US\$3.1 million). On March 31, 2015, the subsidiary's outstanding loans exceeded RMB240.0 million (US\$37.0 million) and total pledged assets exceeded RMB20.0 million (US\$3.1 million). On June 10, 2015, the subsidiary obtained a waiver letter from the creditor that waived the covenant violations. The creditor and the subsidiary also agreed to revise the acceptable outstanding borrowings in a range of RMB130.0 million (US\$20.1 million) and RMB360.0 million (US\$55.6 million). As of December 31, 2014 and 2015, we were in compliance with such covenants.

As of December 31, 2015, we had total working capital and project financing credit facility of RMB1,628.5 million (US\$251.4 million) from various banks, of which the unused amount was

RMB279.0 million (US\$43.1 million). The withdrawal from the credit facility is at the discretion of the banks and is subject to the terms and conditions of each agreement.

Convertible Bonds

On December 30, 2015 and January 29, 2016, we issued and sold convertible and redeemable bonds due 2019 in an initial aggregate principal amount of US\$150.0 million, which bonds were subscribed by Ping An Insurance and STT GDC, as to US\$100.0 million and US\$50.0 million, respectively. We may, at our option, require STT GDC to subscribe for an additional amount of these bonds as to US\$50.0 million, and thereafter, Ping An Insurance to subscribe for an additional amount as to US\$50.0 million, at any time until September 30, 2016. Under the terms of the bonds, Ping An Insurance is entitled to appoint one observer to attend meetings of our board of directors.

The bonds are repayable four years from the date of issue, or i.e. on December 30, 2019, and may be converted at a set conversion price of US\$1.68 per share (subject to adjustments arising from any share consolidation, sub-division or distributions by way of shares) at any time between the date on which this offering is completed and December 30, 2019. Any share issued pursuant to the conversion of these bonds by a holder who is not our existing shareholder so converted within twelve months after the closing of this offering will be subject to a lock-up period expiring on the first anniversary of this offering's closing date. We also may mandate each of Ping An Insurance and STT GDC to convert their bonds into shares if the average per-ordinary-share-equivalent closing trading price of our ADSs in any period of ten (10) consecutive trading days following this offering is at least 125% of US\$1.68. The bonds bear two types of interest on the principal amount, (i) interest payable in cash semi-annually at a rate of 5% per annum, and (ii) interest accruing semi-annually at a rate of 5% per annum. Such accrued interest is (i) in the case of redeemed bonds, either payable in cash on December 30, 2019 upon redemption of the bonds, or and (ii) in the case of converted bonds, capitalized and paid in shares upon conversion of the bonds. As security for the bonds, we pledged our entire equity interest in the registered capital of EDC China Holdings Limited, a limited company incorporated in Hong Kong, which is wholly owned by EDC Holding.

Beijing and Shenzhen Loan Facilities

On September 17, 2015, our subsidiary Shenzhen Yungang EDC Technology Co., Ltd., entered into a term loan facility agreement with United Overseas Bank (China) Limited, Shenzhen Branch and Credit Agricole Corporate and Investment Bank (China) Limited for a principal amount of RMB430.0 million (US\$66.4 million) for the subsidiary's Shenzhen data centers SZ1 and SZ2 and respectively, and an amendment agreement dated August 5, 2016 to extend an additional term loan facility with principal loan amount of RMB100.0 million (US\$15.4 million) for financing the borrower's Shenzhen data center SZ3. The interest rate agreed under the term loan facility agreements is 1.2x or 1.3x of PBOC's base rate for loans, as applicable, with a tenor of five years from respective facility utilization date, which is to be no later than September 18, 2020. The securities for the loan include, among others, guarantee from ultimate parent company of borrower, GDS Holdings Limited, corporate guarantee provided by GDS Beijing, pledge of all equity interests of the borrower, all the issued shares of EDS (HK) Limited and the receivables under the service contracts with customers with respect to our Shenzhen data centers SZ1, SZ2 and SZ3, mortgage of all movable assets of the borrower and assignment of all insurance interests over such mortgaged assets, assignment of the borrower's rights under the building lease of Shenzhen data centers SZ1, SZ2 and SZ3, among other terms. The effective interest rate on the loan as of December 31, 2015 was 6.83% per annum. The maturity date of the loan is September 18, 2020.

October 28, 2015, our subsidiary Beijing Hengpu'an Data Technology Development Co., Ltd. entered into a term loan facility agreement with United Overseas Bank Limited for a principal amount of RMB120.0 million (US\$18.5 million) for financing borrower's Beijing data center (BJ1). The interest rate agreed under said term loan facility agreement is a fixed rate of 6.5625% per annum or 1.25x of PBOC's base rate (as applicable based on the tranches of facilities utilized under the agreement) with a tenor of

five years from the first utilization date of said facility (which, however, is to be no later than December 21, 2020). The securities for the loan include, among others, guarantee from ultimate parent, GDS Holdings Limited, corporate guarantee provided by GDS Beijing, pledge of all the equity interests of the borrower, all the issued shares of EDB II (HK) Limited and the receivables under the service contracts with customers under Beijing data center phase 1, BJ1, mortgage of all movable assets of the borrowers and assignment of all insurance interests over such mortgaged assets, assignment of the borrower's rights under the building lease of Beijing data center phase 1, BJ1, among other terms. The effective interest rate on the loan as of December 31, 2015 was 6.56% per annum. The maturity date of the loan is December 21, 2020.

The terms of the loans of Shenzhen Yungang EDC Technology Co., Ltd. and Beijing Hengpu'an Data Technology Development Co., Ltd. limited capital expenditures that can be incurred for the construction of the data centers. Our outstanding long-term loans under the facilities amounted to RMB483.9 million (US\$74.7 million) as of the date of this prospectus. The loans are required to be repaid in full prior to the maturity date in the event (i) ST Telemedia, the parent company of STT GDC, ceases to own and control, directly or indirectly, at least 40% of our equity interest prior to an initial public offering or 30% of our equity interest after an IPO, or ceases to be our single largest shareholder, (ii) we cease to own and control, directly or indirectly, 100% of the equity interest of the borrowing subsidiaries, (iii) there are changes in the shareholding structure of a principal operating subsidiary, as defined in the loan agreements or (iv) William Wei Huang, our founder, co-chairman and chief executive officer, ceases to own and control, directly or indirectly, at least 99.96% of the equity interest of GDS Beijing. The loan facilities include a cross-default provision which would be triggered if we fail to repay any financial indebtedness of RMB30.0 million or more when due or within any originally applicable grace period. In addition, under the terms of the loans, upon the completion of our initial public offering, we are required to repay RMB116.5 million (US\$18.0 million) of the outstanding loan principal amount based on the principal amount outstanding as at the date of this prospectus.

Off-Balance Sheet Commitments and Arrangements

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

Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

Our exposure to interest rate risk primarily relates to interest expenses incurred in respect of bank borrowings, bonds payable and capital lease obligations and interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used derivative financial instruments in our investment portfolio. Interest earning instruments and interest-bearing obligations carry a degree of interest rate risk. We have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in market interest rates. However, our future interest income and interest expenses may fluctuate due to changes in market interest rates

Foreign Exchange Risk

All of our revenue and substantially all of our expenses are denominated in Renminbi. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative

financial instruments to hedge exposure to such risk. Although in general our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the Renminbi because the value of our business is effectively denominated in Renminbi, while our ADSs will be traded in U.S. dollars.

The conversion of Renminbi into foreign currencies, including U.S. dollars, is based on rates set by the PBOC. The PRC government allowed the Renminbi to appreciate by more than 20% against the U.S. dollar between July 2005 and July 2008. Between July 2008 and June 2010, the exchange rate between the Renminbi and the U.S. dollar had been stable and traded within a narrow band. Since June 2010, the PRC government has allowed the Renminbi to appreciate slowly against the U.S. dollar, though there have been periods when the Renminbi has depreciated against the U.S. dollar. In particular, on August 11, 2015, the PBOC allowed the Renminbi to depreciate by approximately 2% against the U.S. dollar. It is difficult to predict how long the current situation may last and when and how the relationship between the Renminbi and the U.S. dollar may change again.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of the Renminbi against the U.S. dollar would have an adverse effect on the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the Renminbi would have a negative effect on the U.S. dollar amounts available to us.

We estimate that we will receive net proceeds of approximately US\$ million from this offering, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us and assuming no exercise by the underwriters of their over-allotment option, based on the initial offering price of US\$ per ordinary share. Assuming that we convert the full amount of the net proceeds from this offering into Renminbi, a 10% appreciation or depreciation of the Renminbi against the U.S. dollar, from a rate of RMB to US\$1.00 to a rate of RMB to US\$1.00 or RMB to US\$1.00, respectively, will result in a decrease or increase, respectively, of RMB million of the net proceeds from this offering.

Inflation

Since our inception, inflation in China has not materially affected our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2013, December 2014 and December 2015 were increases of 2.5%, 1.5% and 1.6%, respectively. Although we have not been materially affected by inflation in the past, we may be affected if China experiences higher rates of inflation in the future.

INDUSTRY OVERVIEW

Introduction

A data center is a specialized facility designed to house server, storage and networking equipment which is used to deliver mission-critical business applications, data and content. Data centers are strategically located near significant power and network resources to support the computing equipment it houses. Due to the mission-critical nature of the customer equipment it houses, a data center must maintain continuous operations, monitoring and a high level of security. This continuity is achieved using redundant power infrastructure (batteries and generators), specialized cooling equipment (computer room air-conditioning units), environmental control systems and security systems. These critical infrastructure and systems components require significant investment and contribute to the high capital requirement associated with building a data center.

Data centers can be owned and operated in-house by companies or can be outsourced to third-party colocation providers. Companies may choose to own their data center infrastructure for a wide range of reasons such as regulatory considerations, IT being core competency, or an ability to achieve cost efficiency. Companies may choose to outsource their data center infrastructure to third-party colocation providers to avoid the capital cost associated with building their own facility or to gain access to higher quality infrastructure and service levels that colocation providers may offer. Colocation data centers can be designed and configured to serve a wide range of customers, with different space, power and configuration requirements within the same facility. With this flexibility, colocation providers are able to achieve economies of scale and provide customers with a more capital efficient solution than owning their own data centers. Colocation service offerings typically include core data center services such as space and power in a managed environment or may also offer additional value-added services such as remote hands, cross-connects to other tenants of the facility, and managed services such as business continuity and disaster recovery, network management services, among others.

Globally and in China, there are many drivers encouraging companies to increasingly outsource their data center requirements to third party colocation providers, including the significant capital investment required to build a data center, the costs and complexity of operating data centers, regulatory requirements, and the need for disaster recovery space, among others. Unlike in the United States, where there are numerous colocation options available, China is still a developing market where there are relatively few high-quality colocation data center facilities. In 2015, the estimated total data center area in service in China (including in-house enterprise facilities) was 7.4 million sqm. The estimated total colocation area in service reached 1.2 million sqm (16% of total data center area in service), as compared with an estimated 3.7 million sqm in the United States. China continues to be under-served in terms of data center space and in particular, high-quality colocation data centers. According to 451 Research, as of December 31, 2015, when comparing the ratio of square meters of colocation area in service to GDP, the U.S. had a ratio of 207 sqm per US\$1 billion in GDP, while China only had a ratio of 107.

Evolution and Structure of China's Data Center Industry

Similar to the United States, the colocation data center market in China emerged when the incumbent telecommunications carriers built their own data centers to support their network businesses. In 2002, the MIIT started to encourage private investment into VATS and began allowing private companies to resell bandwidth and colocation space within telecommunications carrier data centers, launching the private colocation data center market in China. As the market developed over the following years, some of these resellers began to build their own data center facilities and expand their VATS offerings, creating a more diverse marketplace for data center services in China.

Today, colocation data centers in China can generally be classified as telecommunications carrier data centers or carrier-neutral data centers.

- **Telecommunications carrier data centers.** Since the telecommunications reform in 2008, China has had three major telecom carriers: China Telecom, China Unicom and China Mobile. Each of these carriers has a nationwide telecommunications business license and operates nationwide networks that serve as common platforms for mobile, fixed-line telephone, broadband and data services. The three telecommunications carriers were encouraged by the government policies to build data center facilities. Due to their focus on network services, these carriers' data centers often relied on their own networks for connectivity and lacked options for customers to connect to other carriers' networks.
- **Carrier-neutral data centers.** Carrier-neutral data centers offer connectivity from multiple telecommunications carriers in their facilities, providing customers the option to choose which carrier to use based on cost and/or network and application requirements. Carrier-neutral providers tend to focus on data center services and may offer more rapid response times, better data center uptime and other value-added services. As the data center industry further develops, carrier-neutral data centers are expected to grow more rapidly than carrier data centers as enterprises prioritize data center connectivity and uptime for mission-critical applications.

The Chinese government has taken multiple actions to improve the transparency and promote the healthy growth of the data center industry, including changing the regulations and guidelines regarding license requirements. Since 2010, the market has grown at an accelerated pace, particularly the high-performance carrier-neutral segment, due to the combination of the rapid increase in Internet penetration, mobile Internet, increasing enterprise outsourcing and the emergence of cloud computing, as well as several favorable government measures. These measures include the economic stimulus plan in 2009 and revised MIIT guidelines in 2009 which encouraged private investment in data centers. According to 451 Research, the colocation data center area in service in China grew from 591,482 sqm in 2010 to 1.2 million sqm in 2015 at a CAGR of 14.7%, and is expected to grow to 1.7 million sqm in 2018 at a CAGR of 13.4%. The average power density for data centers built since 2011 in China is around 1.0 kW/m², according to 451 Research. Colocation data center market revenue in China has grown from US\$1.2 billion in 2010 to US\$3.1 billion in 2015, and is expected to reach US\$4.2 billion in 2018. In addition, in terms of revenue, carrier-neutral data centers comprised 29% of the market in China in 2015, an increase from 18% in 2010, and their market share is expected to further increase to 33% in 2018.

High-Performance Data Centers in China

High-performance data centers, relative to standard data centers, offer customers a higher level of power density, availability and power efficiency. According to 451 Research, high-performance data centers are designed and constructed to achieve high levels of infrastructure availability. Such design categorization is generally adopted in the Chinese market among carrier-neutral data center providers, although most data centers are not certified by a third party. The market in developed countries and regions such as the United States and Europe generally considers data centers that are at or above Tier III (as specified by the Uptime Institute, owned by the 451 Group along with 451 Research LLC) as high-performance data centers. In China, given the maturity of the market, high-performance data centers are considered to consist of data centers that are designed to local five-star and A-level standards as well as to Tier III or higher standards. Due to the growing importance of maintaining uptime for mission-critical computing equipment and applications, high-performance data centers have become more valuable to customers.

Growth Drivers of High-Performance Data Centers in China

- **Rising Internet penetration, e-commerce transactions, and consumption of online content.** Internet penetration continues to rise in China. The Statistical Report on Internet Development in China (January 2016) by the CNNIC (China Internet Network Information Center) notes that Internet penetration in China was 50% in 2015, increased by 2.4% from 2014, with 40 million users added in

2015, compared to the United States which has an Internet penetration rate of 88% and an estimated 5 million users added in 2015. In addition, the Cisco Visual Networking Index estimates that China's Internet traffic will grow at a CAGR of 26% from 2015 to 2020, largely driven by online video, which is particularly network intensive. This combination of user penetration and Internet traffic is driving data traffic demand for network and colocation services as data mounts and must be stored. In addition, the growth of e-commerce is driving the requirement for high-performance data centers, as any offline time causes e-commerce websites to forego sales and lose revenue opportunities, so highly available data centers are therefore preferred. The e-commerce market in China measured by gross merchandise value, or GMV, was RMB 3,877 billion (US\$599 billion) in 2015, according to the National Bureau of Statistics in China, compared to US\$342 billion in the United States, according to the Census Bureau of the United States.

- **The growth of cloud computing.** The rapid adoption of public, private and hybrid cloud services by enterprises and government agencies in China is driving demand for high-performance data centers that can provide the reliability and availability to support high-density computing environments. The rapidly growing public cloud market in China has been predominantly served by local public cloud services providers, including Aliyun, Tencent QCloud, UCloud, Kingsoft Cloud, Baidu Cloud and Huawei Cloud, among others. These local cloud providers have generally leased data center space from third party colocation providers to house their cloud computing environments, due to license requirements, infrastructure availability and design requirements and capital deployment considerations. In addition to these local providers, international or non-Chinese cloud providers are required to work with Chinese colocation partners and cannot build or operate in-country data centers.
- **Increasing trends of enterprises toward outsource data center services.** Several recent trends have led enterprises to outsource some or all of their data center requirements to third party colocation providers. Primary drivers for this trend include the rising capital and operating costs of owning data centers, regulatory requirements around the protection and availability of data, the difficulty of finding suitable sites to build data centers, and enterprises' need to focus on their core IT operations for business-specific initiatives rather than operating data center infrastructure.
- **Increasing compliance and regulatory requirements on data security.** Enterprises in regulated industries, such as financial services, often have very specific regulatory requirements for their data and data centers. These can include specifications as to distance from other data centers for disaster recovery purposes, security at the data centers, operating procedures that must be audited, and other specific requirements around data center siting, construction and operations. High-performance data centers are able to satisfy many of these requirements and save enterprises financial and operational resources necessary to adhere to data security requirements.
- **Trend towards higher density.** Servers and other computing equipment require high levels of electricity and cooling to operate and these levels have been growing with advances in server technology and performance levels. A combination of physical size reduction and performance have allowed a larger number of servers to be housed in the same amount of space, which increases the power and cooling required for that space. In addition, virtualization technology has increased server computing performance and density, allowing greater workloads to run on each server. Cloud service providers in particular, as well as firms running data analytics programs, generally require higher than average density.

Major Customer Verticals Driving the Growth of High-Performance Data Centers in China

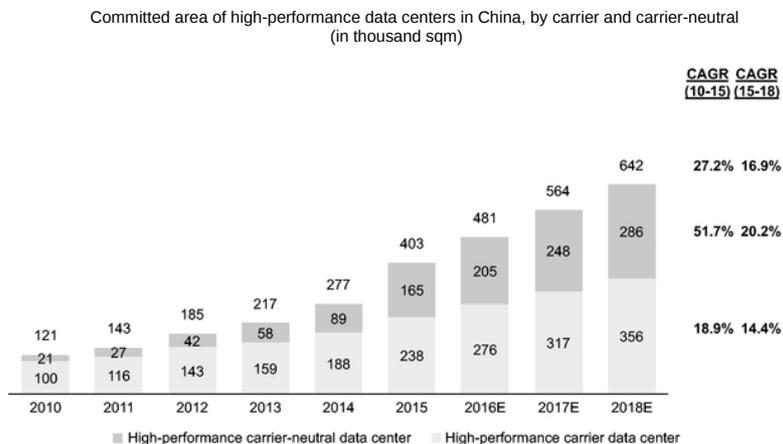
Demand for high-performance data centers has been growing steadily in China, with cloud and IT services providers, financial institutions, large enterprises and public entities among the top customer verticals.

- **Cloud and IT services providers.** Similar to more developed markets, cloud and IT services providers are increasingly consuming more third-party colocation space. With the rapidly expanding Internet and mobile penetration in China, the IT and cloud industry have grown significantly in the past few years, forming the biggest, and one of the fastest growing, user group of data centers. These large companies require high availability for their systems in order to differentiate their services and improve customer satisfaction. Flexibility of deployment, time-to-market and greater efficiency are the main drivers for IT companies to use high-performance data centers.
- **Financial institutions.** Banks, securities and insurance companies are typical users of high-performance data centers globally and in China. Financial institutions are required by the government to store their IT systems and data in secured data centers, whether self-built or outsourced. Outsourced data center operators must meet stringent design and operational compliance requirements in order to host the IT systems of financial institutions. Beyond regulations, financial institutions also prefer to use high-performance data centers to ensure uptime of their systems and applications.
- **Large enterprise and public services.** Many businesses in China are transforming to become more Internet-and IT-driven. Reliable operations of IT systems and storage of data are becoming critical to firms. Large enterprises are becoming national and global and the amount of data generated by day-to-day operations can no longer be stored in one data center at headquarters. Companies with nationally or globally distributed employees and customers increasingly need to store and process data near those employees and customers, creating strong demand for more data center facilities. In addition, the e-government initiatives by Chinese government increase public sector demand for data center space.

According to 451 Research, the high-performance data center market in China began a period of high growth in 2010. The high-performance data center market in terms of area in service has been growing consistently from 183,393 sqm in 2010 to 504,399 sqm in 2015 at a CAGR of 22.4%, and is expected to further grow to 926,869 sqm in 2018 at a CAGR of 22.5%. Meanwhile, commitment rates increased from 66% in 2010 to 80% in 2015 and are expected to average 70% to 80% through 2018. The average price for committed area ranges from US\$900 to US\$1,200 per rack per month in 2015 and is expected to remain largely stable from 2015 to 2018.

The revenue of the high-performance data center market in China has grown from US\$446 million in 2010 to US\$1,514 million in 2015, and is expected to reach US\$2,396 million in 2018. Benefiting from the favorable trends, the high-performance data center market as a percentage of the overall outsourced data center market, in terms of revenue, increased from 36% in 2010, to 49% in 2015 and is expected to further increase to 57% in 2018.

The following chart sets forth the historical and expected market size of China's high-performance data center market in terms of committed areas for the periods indicated.



In China, due to the economic difference and telecom network infrastructure difference between various geographical regions and major cities, telecommunications hubs were built in selected cities only, creating the first data center clusters. These primary economic hubs have competitive advantages as data center markets, with more transparent telecommunications markets, skilled labor and infrastructure support to operate data centers, as well as large populations of potential customers. According to 451 Research, the major Chinese data center markets are Beijing, Shanghai, Shenzhen, Guangzhou, and, to a lesser degree, Chengdu. While most major cities in China have a small data center market to fulfill local demand, the majority of the high-performance data center market is centered in these primary economic hubs. These five major markets accounted for approximately 90% of the total high-performance data center market of China in terms of revenue in 2015.

Barriers to entry

Data centers are difficult to develop and there are several barriers to entry for potential competitors, particularly in China, including:

- Limited supply of suitable sites and development execution complexity.** Finding suitable sites for data center development is difficult, as data centers require large amounts of power, access to network fiber, and particular types of buildings—ideally with high ceilings, strong floors and large floor plates are not always available in these strategic locations. In addition, many customers prefer facilities that are in secure locations, for example, a certain distance from highways, railroad tracks, chemical plants and other potential sources of hazards and outside of flight paths. In the key economic hubs in China, it is increasingly difficult to find suitable sites for high-performance data centers and the execution complexity proves to be challenging for many companies.
- Significant capital and technical expertise required.** Once a site is developed, a data center is complicated to operate, requiring staff with particular skills that can be difficult to find. According to surveys by 451 Research and the Uptime Institute, most of the outages of data centers are due to

human error. Therefore, operators with a strong operating track record are preferred by customers seeking high-performance facilities.

- **Stringent licensing requirements by regulations.** In China, data center service providers must obtain licenses from the MIIT and fulfill evolving requirements. Once a suitable site is identified, developers also need to obtain the necessary permits from local authorities to develop and operate the property.
- **Customer stickiness and high switching costs.** Once customer equipment is installed in a data center facility, it is difficult and expensive to move it. Therefore customer churn is generally low unless there are extensive outages or poor service. If customers need additional space, they typically seek to stay in the same data center facility or with the same provider.

BUSINESS

Overview

We are a leading developer and operator of high-performance data centers in China. Our facilities are strategically located in China's primary economic hubs where demand for high-performance data center services is concentrated. Our data centers have large net floor area, high power capacity, density and efficiency, and multiple redundancy across all critical systems. We are carrier and cloud neutral, which enables our customers to connect to all major PRC telecommunications carriers, and to access a number of the largest PRC cloud service providers, whom we host in our facilities. We offer colocation and managed services, including a unique and innovative managed cloud value proposition. We have a 15-year track record of service delivery, successfully fulfilling the requirements of some of the largest and most demanding customers for outsourced data center services in China. Our base of over 300 customers consists predominantly of large Internet companies, financial institutions, telecommunications and IT service providers, and large domestic private sector and multinational corporations. As of December 31, 2015, we had an aggregate net floor area of 37,869 sqm in service, 87.5% of which was committed, and an aggregate net floor area of 35,525 sqm under construction. According to 451 Research, we are the largest service provider in the high-performance carrier-neutral data center services market in China, with 19.7% market share as measured by area committed as of December 31, 2015.

The market for high-performance data center services in China is experiencing strong growth. According to 451 Research, the market is expected to increase from US\$1.5 billion in 2015 to US\$2.4 billion in 2018, representing a CAGR of 16.6%. Over the same period, the high-performance carrier-neutral data center services market in China is expected to grow with a higher CAGR of 20.5%. Demand is driven by the confluence of several secular economic and industry trends, including: rapid growth of the Internet, e-commerce and big data; rising adoption of cloud computing and server virtualization, which requires data centers with higher power capacity, density and efficiency; increasing criticality of information technology and data in the enterprise environment which requires data centers with higher reliability; and growing reliance by enterprises on outsourcing as a solution to the increasing complexity and cost of managing mission-critical IT infrastructure. We believe that, as a result of this strong demand and the challenges of sourcing, developing and operating new facilities that meet the required standard, there is a relative scarcity of high-performance data center capacity in China. According to 451 Research, as of December 31, 2015, when comparing the ratio of square meters of colocation area in service to GDP, the U.S. had a ratio of 207 sqm per US\$1 billion in GDP, while China only had a ratio of 107.

Our portfolio of data centers and secured expansion capacity are strategically located to address this growing demand. We operate our data centers to service our customers predominantly in Shanghai, Beijing, Shenzhen, Guangzhou and Chengdu, the primary financial, commercial, industrial and communications hubs in each region of China. According to 451 Research, approximately 90% of the market in terms of revenue for high-performance data center services in China was concentrated in these markets in 2015. We have also established a presence in Hong Kong which we believe is another important market for our customers. Our data centers are located in close proximity to the corporate headquarters and key operation centers of many large enterprises, providing convenient access for our customers. Furthermore, the extensive multi-carrier telecommunications networks in these markets enable our customers to enhance the performance and lower the cost of connectivity to our facilities.

Our data centers are large-scale, highly reliable and highly efficient facilities that provide a flexible, modular and secure operating environment in which our customers can house, power and cool the computer systems and networking equipment that support their mission-critical IT infrastructure. We install large power capacity and optimize power usage efficiency, which enables our customers to deploy their IT infrastructure more efficiently and reduce their operating and capital costs. As a result of our advanced data center design, high technical specifications and robust operating procedures, we are able to make

service level commitments related to service availability and other key metrics that meet our customers' required standards.

We currently serve over 300 customers, including large Internet companies, a diverse community of approximately 140 financial institutions, telecommunications and IT service providers and large domestic private sector and multinational corporations, many of which are leaders in their respective industries. Within our customer base, we host a number of major cloud service providers, including Aliyun, the cloud computing unit of Alibaba, which is present in several of our data centers. Contracts with our large Internet customers typically have terms of three to six years, while contracts with our enterprise customers typically have terms of one to five years. We achieved an average retention rate of over 95% per annum among our Internet and financial institution customers for colocation services in our current data centers over the past two years.

As of December 31, 2015, we operated six self-developed data centers with an aggregate net floor area of 28,865 sqm in service. We also operated capacity at fifteen third-party data centers with an aggregate net floor area of 9,004 sqm in service, which we lease on a wholesale basis and use to provide colocation and managed services to our customers. As of the same date, we had a further six new self-developed data centers and one phase of an existing data center with an aggregate net floor area of 35,525 sqm under construction. In addition, we had an estimated aggregate developable net floor area in excess of 20,000 sqm held for future development. Our net revenue and results of operations are largely determined by the degree to which data center space is committed or pre-committed as well as its utilization. We had commitment rates of 76.3% and 87.5% as of December 31, 2014 and 2015, respectively. We had utilization rates of 57.7% and 59.1% as of December 31, 2014 and 2015, respectively. The difference between commitment rate and utilization rate is primarily attributable to customers who have entered into agreements but have not yet started to use revenue-generating services.

Our net revenue grew from RMB468.3 million in 2014 to RMB703.6 million (US\$108.6 million) in 2015, representing an increase of 50.2%. Over the same period, our adjusted EBITDA increased from RMB38.0 million to RMB164.7 million (US\$25.4 million). Our net loss decreased from RMB130.0 million in 2014 to RMB98.6 million (US\$15.2 million) in 2015. As of December 31, 2015, our accumulated deficit was RMB582.3 million (US\$89.9 million).

Our Strengths

We believe that the following key competitive strengths differentiate us from other data center service providers in China and position us well to capitalize on the rapid growth in demand for high-performance data center services.

Large-Scale, High-Performance Data Centers Strategically Located in China's Key Markets

We plan, design and build our data centers to cater to a range of customer requirements with regards to capacity, power density and usage efficiency, redundancy, and numerous other technical specifications. Many of our customers require: large contiguous net floor area and the ability to expand their presence at the same location; high power capacity, density, and efficiency in order to deploy their IT infrastructure in the most cost effective manner; and high service availability for their mission-critical IT infrastructure, backed up by demanding service level commitments across multiple operating parameters.

We have built our data centers to large-scale. The average net floor area of our self-developed data centers portfolio is approximately 6,000 square meters. In addition, within each market, we have, to the extent possible, strategically grouped our data centers within campuses or clusters so that we are able to provide our customers with conveniently located expansion capacity.

Our self-developed data centers in service and under construction have an average power density of approximately 2.0 kW/m², compared with an average of around 1.0 kW/m² for data centers in China built

since 2011, according to 451 Research. Our self-developed data centers are mostly designed to achieve 1.5 times power usage effectiveness, or PUE, in stabilized operation, compared with an average of 1.7 times for data centers built from 2011 to mid-2013 in China and a PUE of more than 2.0 times for some older data centers, according to the MIIT. As a result of our advanced data center design, high technical specifications and robust operating procedures, we are able to provide our customers with service level commitments related to service availability and other key metrics up to their required standards.

A large part of the demand for high-performance data center services in China is location-sensitive. Our facilities are strategically located in key markets with the greatest demand from existing and prospective customers. All of our self-developed capacity in service and under construction are located in Shanghai, Beijing, Shenzhen, Guangzhou, and Chengdu where approximately 90% of the market in terms of revenue for high-performance data center services in China was concentrated in 2015, according to 451 Research. Our remaining capacity is mostly located in Hong Kong where we have established a presence through capacity leased from third-parties. Our self-developed data centers are interconnected, which strengthens our value proposition for customers who increasingly seek a multi-market data center footprint from a single service provider.

First Mover with a Proven Track Record and Reputation for Operational Excellence

We were a first-mover in the data center industry in China, having provided data center services since 2001, and have established a 15-year track record of service delivery, successfully fulfilling the requirements of some of the largest and most demanding customers for outsourced data center services in China. We have been involved in providing technically demanding data center-based IT managed services from our inception. We focused initially on providing business continuity and disaster recovery, or BCDR, solutions for financial institutions in response to new regulatory requirements. We have been and continue to be involved in advising various PRC government agencies in setting, and customers in attaining, required standards relating to outsourced data center solutions and services.

The track record and customer relationships which we established as a provider of IT managed services positioned us to expand to data center development. Over time, we have developed expertise across the full spectrum of data center design, construction, commissioning, and operation. We have also continued to expand our managed service offerings to include, more recently, unique and innovative services for managing enterprise hybrid clouds. Our processes, protocols and standards enable us to meet or exceed the demanding performance and quality levels specified in our service level agreements, or SLAs, with the most sophisticated high-end customers. We have been certified ISO9001, ISO20000 and ISO27001 for almost ten years.

Well-Established and Rapidly Expanding Relationships with Large and Fast Growing Customers

We focus on serving customers who require high-performance data center capacity in China's primary economic hubs, such as large Internet companies, financial institutions, telecommunications and IT service providers and large domestic private sector and multinational corporations. Our customers include some of the largest and most demanding users of data centers in China with respect to capacity, power density and usage efficiency, service availability and SLAs, and numerous other technical specifications.

Our Internet customers include some of China's leading Internet companies. As of December 31, 2015, we had over 20,000 sqm net floor area in aggregate committed to the top three Internet companies in China and/or their affiliates across seven of our data centers, including third-party data centers. We believe that large Internet companies house in our data centers the location-sensitive, mission-critical IT infrastructure which supports some of their high growth business activities, such as e-commerce, cloud services, online financial services and online payment services.

We serve a diverse community of approximately 140 PRC and foreign financial institutions across the banking, insurance, asset management, brokerage, digital payment, and financial information verticals. We

believe that our 15-year track record of serving financial institutions and deep domain knowledge of their IT operating and compliance requirements have made us the leading outsourced data center provider to the financial services sector.

We have long-standing relationships with all the major PRC telecommunications carriers who are both partners providing network services to our customers and intermediate contracting parties for the sale of colocation services to our customers. We also serve a number of foreign telecommunications and IT service providers.

We believe that our data centers are well-suited for the hosting of cloud platforms due to their large-scale, high power capacity and density, high reliability, extensive network connectivity and strategic location in primary economic hubs. These features enable cloud service providers to deploy their IT infrastructure more efficiently, optimize their IT infrastructure and network performance, and reduce their operating and capital costs. We have succeeded in attracting a number of major cloud service providers to colocate their cloud service platforms in our data centers, including those operated by Aliyun, the cloud computing unit of Alibaba, and by certain of our other large Internet, telecommunications and IT service provider customers. We believe that this established presence in our data centers will attract other cloud service providers, as well as enterprise customers, to colocate in our data centers.

Large Secured Expansion Capacity and Proven Ability to Source and Develop Additional Data Centers

There are inherent challenges in China to successfully sourcing and developing large-scale high-performance data centers, including zoning laws, a scarcity of appropriate and sufficiently large sites, access to adequate redundant power supply and high-quality telecommunications connectivity, and the knowledge and know-how associated with designing, building, fitting out and commissioning high-performance facilities.

We have a proven set of skills and procedures that have allowed us to source and develop the data centers we need to grow our business. We have a substantial in-house team dedicated to sourcing, feasibility analysis, technical design, costing and project management. Our team works closely with local government authorities to obtain necessary permits and approvals, with electric utilities to obtain sufficient power infrastructure and supply, and with telecommunications carriers to ensure multi-carrier connectivity to our data centers. We have extensive experience in developing greenfield purpose-built facilities to achieve a high level of performance. We also have the capability to convert existing industrial buildings into data centers without compromising on performance standards. Our diversified approach to sourcing and developing data centers gives us the necessary flexibility to ensure a strong pipeline of high-quality sites for future development.

Over the past five years, we have brought six self-developed data centers into service with an aggregate net floor area of 28,865 sqm and achieved a 89.6% commitment rate for these facilities as of December 31, 2015. Our growth prospects and ability to service our customers are secured by a strong pipeline of expansion capacity in China's primary economic hubs. As of December 31, 2015, we had six new self-developed data centers and one phase of an existing data center with an aggregate net floor area of 35,525 sqm under construction. In addition, we had entered into leases and development agreements and secured land which could potentially be developed into data centers with an estimated aggregate developable net floor area in excess of 20,000 sqm.

Unique Value Proposition in Managed Cloud Services that Complements Our Core Colocation Services

The adoption of cloud computing continues to rise and has become a key element of IT strategy for enterprises globally. We believe that our data centers are well-suited for the hosting of cloud platforms. As a result, we have succeeded in attracting a number of major cloud service providers to colocate their cloud service platforms in our data centers, including those operated by Aliyun, and by certain of our other large Internet, telecommunications and IT service provider customers.

The presence in our data centers of major cloud service providers enables us to offer our enterprise customers efficient and reliable access to the high capacity cloud resources of their choosing. On a reciprocal basis, we are able to assist our cloud service provider customers to access the enterprise customers which are present in our data centers. We believe that this established presence in our data centers creates a network effect which will attract other cloud service providers, as well as additional enterprise customers, to colocate in our data centers.

Large enterprises are increasingly deploying a combination of multiple private, hosted, or public cloud services, a configuration known as hybrid cloud. We expect that hybrid clouds will become increasingly prevalent in China. While this configuration can provide enterprises with greater flexibility, scalability, security and cost efficiency, it also presents new challenges in integrating and operating multiple systems. Leveraging our long track record as a provider of IT managed services, we are developing an innovative service platform to assist our enterprise customers in the management of their hybrid clouds. Our platform, which we refer to as CloudMix, provides a robust management interface enabling enterprises to integrate and control every aspect of their hybrid cloud computing environment across their private servers and one or more public cloud service providers. We also architect cloud-based solutions tailored to the unique requirements of each customer.

We believe that the established presence in our data centers of many high-end enterprise customers and a number of the leading cloud service providers in China, together with the innovative managed cloud services which we offer, is a unique value proposition in the China market.

Visionary and Experienced Management Team Supported by Sophisticated Strategic Investors

Our management team consists of entrepreneurs and professionals, all of whom possess in-depth knowledge and expertise in the IT services industry. Our founder, co-chairman and chief executive officer, William Huang, is a visionary pioneer with 15 years of experience in China's data center industry. Our senior management team has significant experience from previous employment in leading multinational IT service providers.

We also benefit from having major shareholders who provide industry expertise, access to potential customer and supplier relationships, and solid corporate governance guidance. For example, STT GDC Pte. Ltd., or STT GDC, a wholly owned subsidiary of Singapore Technologies Telemedia Pte Ltd, or ST Telemedia, is an experienced and strategic data center player that owns a portfolio of data centers in Singapore, the United Kingdom and China, either directly or through investments in data center operating companies, such as GDS Holdings. Leveraging STT GDC's integrated data center platform, we have access to STT GDC's customer and supplier relationships. We also benefit from STT GDC's platform through knowledge sharing to enhance our technology, operational performance and customer service.

We believe that the support, relationships, industry expertise and corporate governance best practices that come from having sophisticated strategic investors provides us with competitive advantages in our industry.

Our Strategies

We aim to capitalize on the attractive growth opportunities in the data center services market in China and strengthen our leadership position in the high-performance segment. We intend to achieve our goal by pursuing the following strategies:

Expand Our Unique Portfolio of Strategically Located High-Performance Data Centers

We will continue to expand our unique portfolio of high-performance data centers in the key markets of Shanghai, Beijing, Shenzhen, Guangzhou and Chengdu so as to address the strong growth in demand. We will continue to grow our presence in Hong Kong by relying initially on capacity at third-party data

centers. Where sufficient customer demand exists and contracts can be secured in advance, we may develop data centers in other markets in China. Our approach will take into consideration prevailing demand and utilization trends in each market.

In each of our key markets, our objective is to be in a position to deliver a continuous supply of capacity aligned with the expansion requirements of our existing and prospective customers. We also intend to pursue a strategy of having capacity at two complimentary sites in each key market, so as to better satisfy the location preferences of major customer segments and to offer a dual-site configuration for those customers who require in-market redundancy. In order to enhance our overall portfolio, we intend to upgrade our inter-data center network connectivity so as to strengthen our value proposition for the increasing number of customers who seek a multi-market data center footprint from a single service provider.

We believe that the combination of continuous supply at one or more sites in all of China's key markets, consistent quality standard of facilities and operations across the entire portfolio, and high quality inter-data center connectivity will give us a sustainable competitive advantage.

Pursue Balanced Sourcing Strategy to Maintain Continuous Competitive Supply

In order to maintain a strong pipeline of expansion capacity, we will leverage our expertise and experience in identifying, sourcing and securing sites in key markets with access to adequate power supply and network connectivity. We will continue to grow our portfolio mainly through the addition of self-developed data centers, and we will use a flexible and varied approach.

Where appropriate greenfield sites can be secured, we may acquire the land and invest in the entire data center real estate ourselves. Alternatively, in order to reduce our capital intensity, we may partner with selected developers for construction of build-to-suit data center shell and core which we will then lease on a long term basis, equip and fit out. Furthermore, given the scarcity of high-quality sites, zoning and other restrictions on development, we will also lease and convert existing industrial buildings into data centers. We carefully select such buildings based on their suitability for use as data centers and have gained significant experience in undertaking conversions in a manner which satisfies our high technical standards. We may also use third-party data centers as a way to enter new markets, as we have done in Hong Kong. We believe our diversified sourcing approach will enable us to maintain a strong supply of data center capacity to meet fast growing customer demand, while ensuring the consistent high-performance level of our facilities and efficient capital allocation.

To further supplement the growth of our business, we intend to prudently pursue acquisitions, investments, alliances or partnerships to secure critical resources, supplement our existing sourcing approach and capture opportunities that are strategically complementary to our operations. We will evaluate potential acquisition opportunities in key data center markets by assessing various factors including geographic location, facility condition, cost, power supply, telecommunications network availability, and compatibility with the needs of our customers.

Increase Market Share by Attracting New Customers and Leveraging Customer Relationships

Our strong customer and industry relationships, combined with our data center presence in key markets in each region and direct sales force, afford us insight into the size, timing, and location of future demand. We intend to leverage this insight to increase our share of the rapidly growing market for high-performance data center services in China. We plan to execute this strategy by attracting new customers, increasing our share of spend by upselling more managed services, capturing demand for large-scale capacity from major customers, and creating a network effect around the enterprises and cloud service providers which we host. We will continue to focus relentlessly on operational excellence and superior customer service to sustain our high customer retention rate.

We will expand our customer base by focusing on new customers in fast growing segments, such as online-to-offline, mobile Internet, cloud and IT services, and healthcare, and by providing colocation services and managed services to fit their specific requirements. We will increase our upsell to existing customers by enhancing our managed service offerings, in particular our solutions for accessing cloud resource and managing enterprise hybrid clouds. We will align our resource development plan to capture a high proportion of the growing demand from existing and new customers, including those which require large-scale capacity.

Capitalize on Rising Adoption of Cloud Computing in China

We intend to capitalize on the growth of cloud computing in China by attracting cloud service providers as hosting customers and by further developing our managed cloud service offerings with the objective of transforming our data centers into key hubs for accessing cloud resources and hybrid cloud management solutions.

We have constructed our data centers with high power capacity, density and efficiency, and other features which support the deployment of large-scale cloud platforms. We continue to enhance our design and technical specifications for this purpose. We have already succeeded in attracting a number of the largest cloud service providers in China to colocate in our data centers. We aim to attract more cloud service providers by providing an optimal carrier and cloud neutral operating environment and by leveraging the network effect of a growing enterprise end-user and cloud service provider ecosystem. We intend to partner with and support our cloud service provider customers to access the enterprise customers which are present in our data centers. We have established such a partnership with Aliyun, the cloud computing unit of Alibaba, and are pursuing similar partnerships with other existing and prospective cloud service provider customers.

We also intend to become the preferred provider of cloud-related managed services to our enterprise customers. We believe that our track record and expertise as a provider of IT managed services positions us well to capture significant opportunities as our enterprise customers transition from private to outsourced cloud solutions. We will continue to work with our enterprise customers to facilitate this transition by providing cloud-based solutions tailored to their specific requirements. We will also continue to develop our innovative CloudMix service platform to assist our customers to integrate and control every aspect of their hybrid cloud computing environment across their private servers and one or more public cloud service providers.

Continue to Focus Relentlessly on Operational Excellence and Capital Efficiency

We will remain at the forefront of the data center industry in China by continuing to set benchmarks for operational excellence. We closely monitor and emphasize measurable operational excellence and remain committed to high SLA fulfillment. We will continue to maintain a high level of customer satisfaction by adopting and automating best-in-class business processes, including further improving our proprietary Data Center Operation Management Platform to provide real-time monitoring and to streamline our data center management processes. We will tailor key performance measures and incentives for our team in order to further enhance productivity and focus on the attainment of our operational goals. We also intend to attract additional highly skilled employees across various business functions to strengthen our resource acquisition and operations management capabilities to support our business growth.

We adopt a modular approach to the construction of our data centers, fitting out and equipping each data center in phases and making available a range of customized options with regards to redundancy, power density, cooling, rack configuration and other technical specifications. This enables us to tailor our product offering to suit the requirements of individual customers, optimize resource utilization, and maximize capital efficiency. Within each market, we have, to the extent possible, strategically grouped our data centers within campuses or clusters, further allowing for capital-efficient phased expansion. We believe

this expansion approach combined with our strong development experience will enable us to better manage the timing and scale of our capital expenditure obligations while reducing risk and improving our return on capital.

Our Business Model and the Data Center Lifecycle

Our core business operations entail the planning and sourcing of new data center sites, developing such sites, securing customer commitments, providing our colocation services and managed services to customers, and maintaining high levels of service and customer satisfaction to develop and maintain long-term relationships with our customers. We focus on developing and operating what we refer to as high-performance data centers. These are data centers that feature large net floor area, high power capacity, density, and efficiency, and multiple redundancy across all critical systems.

Our strong customer and industry relationships afford us insight into the size, timing, and location of future demand which is reflected in our data center resource development plan. We source new data center resources by: (1) acquiring or leasing property which we develop for use as data center facilities, whether through constructing on greenfield sites or converting existing industrial buildings; (2) leasing existing data center capacity from third-party wholesale providers; and, (3) acquiring high performance data centers from other companies. Regardless of the source of our data center resource, we ensure that the facilities meet the high-performance standards required by our target customers. After procuring greenfield sites or existing buildings for conversion, we design and, through cooperation with developers, contractors, and suppliers, build out the facility to our advanced design and high technical specifications.

We take a modular approach to developing, commissioning, equipping and fitting out of facilities, so that we can cater to a range of customer requirements with regard to redundancy, power density, cooling, rack configuration and other technical specifications. In addition, by taking a modular approach, we are able to phase our capital expenditures related to equipping and fitting out resource in accordance with proven sales demand or contractual delivery commitments to customers.

We commence marketing new data center facilities several quarters prior to completion of construction. We aim to secure pre-commitments from customers for a portion of the area under construction, typically from anchor customers who require large-scale capacity. Through securing such pre-commitments, we are able to reduce investment risk and optimize resource planning. Our contracts provide flexibility to our customers with regard to utilization and the commencement of billing. Anchor customers with large-scale commitments usually move in over 12 to 24 months, whereas enterprise customers usually move in over a period of three to six months. During the period when customers are moving into our data centers, we bill our customers for services based on a fixed amount which is the higher of actual utilization and minimum contractual customer commitments. See "—Contracts Terms and Pricing."

Once data center resource becomes billable, customers are charged a fixed price over the life of the contract for colocation services and managed services. In certain contracts, the customer are also charged for actual power consumed. Area committed is included in area utilized when we commence generating revenue from the customer under the terms of the contract.

For our in-service data centers, we aim to maintain high levels of long-term utilization. As of December 31, 2015, our commitment rate was 87.5% of aggregate net floor area in service, while our utilization rate was 59.1%. The difference between commitment rate and utilization rate reflects the contracts which were still in the process of moving into our data centers. If we secure pre-commitments from customers, particularly large-scale capacity commitments from anchor customers, we expect that our utilization rate will continue to lag our commitment rate due to the longer time taken to move in associated with these types of contracts.

Our business model provides us with high levels of revenue visibility due to the long-term nature of our customer contracts and substantial backlog. We endeavor to provide high levels of customer service, support, and satisfaction so as to maintain long-term customer relationships and high rates of contract renewals for our services. We achieved an average retention rate of over 95% per annum among our Internet and financial institution customers for colocation services in our current data centers over the past two years.

Our Data Centers

Our data centers are large-scale, highly reliable and highly efficient facilities that provide a flexible, modular and secure operating environment in which our customers can house, power and cool the computer systems and networking equipment that support their mission-critical IT infrastructure. We install large power capacity, together with engineering technologies to optimize power usage efficiency, enabling our customers to deploy their IT infrastructure more efficiently and reduce their operating and capital costs. Our data centers are located in close proximity to the corporate headquarters and key operations centers of many large enterprises, providing convenient access for our customers, as well as in areas where there are extensive telecommunications networks enabling our customers to enhance the performance and lower the cost of connectivity to our data centers. Our data centers are strategically located in Shanghai, Beijing, Shenzhen, Guangzhou and Chengdu, which are the primary financial, commercial, industrial and communications hubs in each region of China, and where demand is concentrated. We continue to source and secure additional data center resources in China's primary economic hubs.

The following table presents certain information relating to our data center portfolio as of December 31, 2015:

<u>(Sqm, %)</u>	<u>Area</u>	<u>Area under</u>	<u>Area held for</u>
<u>Location</u>	<u>in service</u>	<u>construction</u>	<u>development</u>
Shanghai	20,716	15,544	4,800
Shenzhen	5,628	12,254	5,268
Beijing	9,177	6,177	8,970
Hong Kong	793	—	—
Chengdu	1,555	1,550	3,100
Total	37,869	35,525	22,138
Type			
Self-developed	28,865	35,525	22,138
Third party	9,004	—	—
Total	37,869	35,525	22,138

As of December 31, 2015, our total area committed was 35,918 sqm, of which 33,140 sqm and 2,778 sqm related to data centers in service and data centers under construction, respectively. In May 2016, through GDS Beijing, we acquired all the equity interest in Guangzhou Weiteng, which operates a data center in Guangzhou. As the acquisition was completed in May 2016, operating data related to the data center it operates has not been included in the above table.

Self-developed Data Centers

As of December 31, 2015, we operated six self-developed data centers with an aggregate net floor area of 28,865 sqm in service. We also operated capacity at fifteen third-party data centers with an aggregate net floor area of 9,004 sqm in service, which we source on a wholesale basis and use to provide colocation and managed services to our customers. As of the same date, we had a further six new self-developed data centers and one phase of an existing data center with an aggregate net floor area of 35,525 sqm under construction. In addition, we had entered into leases and development agreements and secured land which could potentially be developed into data centers with an estimated aggregate developable net floor area in excess of 20,000 sqm.

High-Performance Features. Our self-developed data centers generally feature:

- **High Availability.** Our data centers are equipped with redundant delivery paths for power, cooling and other critical systems, sufficient to satisfy or exceed the Tier 3 standard as defined by the Uptime Institute. High availability data centers are suitable for housing mission-critical IT infrastructure. We operate our facilities so as to deliver the levels of service availability required by the most demanding customers.
- **High Power Density.** Our self-developed data centers in service and under construction have an average power density of approximately 2.0 kW/m², compared with an average of around 1.0 kW/m² for data centers in China built since 2011, according to 451 Research. High power density enables customers to deploy their IT infrastructure more efficiently and to optimize their IT infrastructure performance.
- **High Power Efficiency.** Our self-developed data centers are designed to achieve high power efficiency, which is expressed coversely by a low PUE ratio. Our self-developed data centers had around 1.5 times PUE in stabilized operation, compared with an average of 1.7 times for data centers built from 2011 to mid-2013 in China and a PUE of more than 2.0 times for some older data centers, according to the MIT. High power efficiency reduces operating costs, for the benefit of our customers and ourselves.

In addition to the high-performance features described above, our data centers provide flexible fit-out, sufficient floor load bearing strength and clear slab-to-slab height to support dense deployment of IT hardware, multiple layers of physical security, early fire detection monitoring and fire suppression systems, diverse connectivity, and other amenities.

This combination of high availability, high power density, high power efficiency and other features enables us to serve the most sophisticated and demanding users of data center services who seek cost efficient solutions for their requirements, without compromise on performance across multiple operating parameters.

Types of Data Centers. We have a diversified and flexible approach to developing our data center portfolio. We categorize our data centers into the following two types:

- **Purpose-Built.** Purpose-built data centers are facilities which are designed and constructed specifically for use as data centers. Our purpose-built facilities comprise those that we design ourselves and for which we directly oversee the construction and fit out, as well as certain of the facilities that we lease or have acquired from third-parties. Purpose-built facilities represent approximately 61.1% by aggregate net floor area of our self-developed data centers in service and under construction as of December 31, 2015.
- **Converted.** Conversion involves repurposing existing industrial buildings for use as data centers. We undertake conversions in order to fulfill demand where time-to-market and site opportunity do not allow us to purpose-build. We carefully select such buildings based on their suitability for use as data centers. We design and construct to the same high technical specifications as our purpose-built

data centers, so as to ensure that the end-product is of a comparable standard. Converted facilities represent approximately 38.9% by aggregate net floor area of our self-developed data centers in service and under construction as of December 31, 2015.

Data Center Tenure. We hold our data centers either through direct ownership or lease. In China, land cannot be owned outright, but is secured through land use rights. For self-developed data centers that we own, we have rights to use the underlying land for up to 45 years, which is close to the longest permissible period, plus ownership of the buildings and other fixed assets comprising the data center. For self-developed data centers that we lease, we enter into long-term leases with the owners of the building for periods of ten to twenty years, which is the longest permitted lease period under PRC law. For third-party data centers where we lease capacity on a wholesale basis, we typically enter into leases for fixed terms of three to ten years.

Stage of Development. We categorize our data centers, and the corresponding net floor area, according to the following stages of development:

- **In Service.** Data centers are categorized as in service once the construction of the building is complete, critical systems have been installed, the facility has passed rigorous integrated system testing, and one or more modules have been equipped and fitted out ready for utilization by customers. Once this stage has been reached, we categorize the net floor area of the data center as area in service, including the net floor area which may require additional capex for equipping and fitting out prior to utilization by customers.
- **Under Construction.** Data centers are categorized as under construction once we have secured control of the site, obtained the necessary construction and other permits, established the design, and building and engineering works are in progress. Where we successfully secure pre-commitments from customers, we calculate pre-commitment rate based on the area under construction.
- **Held for Future Development.** Area held for future development consist of the estimated data center net floor area that we expect to be able to develop on land which we have secured, at buildings which we have constructed or leased and pursuant to development or lease agreements we have entered into, but which, in each case, are not under construction. The developable net floor area estimates are subject to a number of contingencies and uncertainties.

Self-Developed Data Centers in Service: The following table sets forth additional details concerning our portfolio of self-developed data centers in service as of December 31, 2015:

	Shanghai			Shenzhen	Beijing	Chengdu
	KS1	SH1	SH2	SZ1	BJ1	CD1 (Phase 1) ⁽³⁾
Date ready for service (HHYY)	2H10	2H11	2H15	2H14	2H15	1H11
Type	Purpose-built	Purpose-built	Purpose-built	Converted	Converted	Purpose-built
Tenure	Owned	Leased	Leased	Leased	Leased	Owned
Area in service	6,546	6,432	7,712	4,281	2,344	1,550
Area committed	6,514	6,062	6,491	4,278	2,344	172
Commitment rate ⁽¹⁾	100%	94%	84%	100%	100%	11%
Area utilized	5,954	4,620	104	3,487	767	154
Utilization rate ⁽²⁾	91%	72%	1%	81%	33%	10%

(1) The ratio of area committed to area in service.

(2) The ratio of area utilized to area in service.

(3) We are developing our CD1 data center in phases. The categorization of data centers by stage of development is applied to each phase of CD1 development.

As of December 31, 2015, we had invested an aggregate RMB1,915.2 million (US\$295.7 million) in our data centers in service and expect to invest an additional RMB47.0 million (US\$7.3 million) to achieve full ramp-up in these data centers.

Self-Developed Data Centers Under Construction. The following data table presents certain information relating to our self-developed data centers under construction as of December 31, 2015:

	Shanghai		Shenzhen			Beijing	Chengdu
	SH3	SH4	SZ2	SZ3	SZ4 (Phase 1) ⁽³⁾	BJ2	CD1 (Phase 2) ⁽³⁾
Estimated date ready for service (HHYY)	2H16	2H17	2H16	2H16	1H17	1H17	2H16
Type	Purpose-built	Purpose-built	Converted	Converted	Converted	Converted	Purpose-built
Tenure	Leased	Leased	Leased	Leased	Leased	Leased	Owned
Area under construction	7,334	8,210	4,308	2,678	5,268	6,177	1,550
Area pre-committed	0	0	2,778 ⁽²⁾	0	0	0	0
Pre-commitment rate ⁽¹⁾	0%	0%	64%	0%	0%	0%	0%

(1) The ratio of area pre-committed divided by the area under construction.

(2) Relates to data center area for which we have entered into a letter of intent with one of our customers.

(3) We are developing our SZ4 and CD1 data centers in phases. The categorization of data centers by stage of development is applied to each phase of SZ4 and CD1 development.

As of December 31, 2015, we had invested RMB78.1 million (US\$12.0 million) in our data centers under construction and expect to invest an additional RMB2,498.9 million (US\$385.8 million) to complete construction and ramp-up in these data centers.

Self-Developed Data Center Resources Held for Future Development. We have also secured data center resources that we classify as held for future development. We have entered into leases and development agreements or secured land which could potentially be developed into data centers with an estimated aggregate developable net floor area in excess of 20,000 sqm. We are developing SZ4 and CD1 data centers in phases. The categorization of data centers by stage of development is applied to each phase of SZ4 and CD1 development. Self-developed data center resources held for future development include: (1) SZ4 (Phase 2), a building in Shenzhen which we have leased and which we are developing in two phases; (2) a site in Beijing for a purpose-built facility that is subject to the local power bureau relocating overhead power supply lines which affect the use of the site; (3) a site in Kunshan for which we have secured land use rights; and (4) CD1 (Phase 3), a building in Chengdu which we own and which we are developing in three phases.

Third-party data centers

In addition to operating and providing services in our self-developed data centers, we also provide data center services with respect to net floor area that we lease from third-party data center providers on a wholesale basis and use to provide colocation and managed services to our customers. As of December 31, 2015, we operated capacity at fifteen third-party data centers with an aggregate net floor area of 9,004 sqm in service.

The third-party data centers where we lease capacity on a wholesale basis were not purpose-built or converted according to our design and technical specification. However, on a selective basis, we may carry out improvement work at third-party data centers in order to attain the performance levels required to serve our customers. In particular, one of our third-party data centers is a facility in which we leased increasing amounts of space over time, so that we now lease the entire data center. As we accumulated leased data center space in the data center over time, and we never conducted any comprehensive conversion or repurposing of the facility, we continue to categorize that data center as a third-party data center.

Lease Agreements Relating to Our Data Centers

We enter into leases in connection with our self-developed data centers. In addition, certain third-party data centers in which we lease capacity on a wholesale basis are subject to property lease agreements. Under relevant PRC laws and regulations, lease agreements are required to be registered or filed with the relevant housing authorities. Among the data centers that we lease, including those under construction, a majority of the lease agreements have not been filed with relevant authorities in accordance with the applicable PRC laws and regulations. The failure to register or file the lease will not affect the legal validity of the lease agreements but may subject us to fines. In order to address the situations where the relevant leases have not been registered by the lessors, we have communicated with the relevant lessors with regard to completing the registration of the relevant lease agreements to the extent practicable. However, there is no guarantee that the lessors will respond to our requests or take remedial action with regard to the lack of registration and filing, and we, or the third-party lessors, may be liable if timely rectifications are not made. A portion of any such losses will be recoverable from the lessors according to the terms of certain of the lease agreements. See "Risk Factors—Risk Factors Relating to Our Business and Industry—Our failure to comply with regulations applicable to our leased data centers may materially and adversely affect our ability to use such data centers."

Our Services

We offer a broad range of services including colocation services and managed services, which includes managed hosting services and managed cloud services. We also provide certain other services, including consulting services.

Colocation Services

We offer our customers a highly secure, reliable and fault-tolerant environment in which to house their servers and related IT equipment. Our core colocation services primarily comprise the provision of critical facilities space, customer-available power, racks and cooling. Our customers have several choices for hosting their servers, networking and storage equipment. They can place their equipment in a shared or private space that can be customized to their requirements. We offer a variety of power options to suit individual customer requirements, including high power density racks. In some instances, colocation customers will request that we provide IT equipment for their use in our data centers. In such cases, we will sell such IT equipment to the colocation customer.

Managed Services

Managed Hosting Services. Our managed hosting services comprise a broad range of value-added services, covering each layer of the data center IT value chain. Our suite of managed hosting services includes business continuity and disaster recovery, or BCDR, solutions, network management services, data storage services, system security services, operating system services, database services and server middleware services. Our managed hosting services are tailored to meet the specific objectives of individual customers. We help our customers reduce their costs, re-engineer existing processes, improve the quality of service delivery and realize a better return on their investment.

Our network management services help our customers to design and maintain their private network systems. Our data storage services provide storage architecture design and customization for specific requirements. Our system security services include identity and access control, firewall management, intrusion protection and vulnerability protection services. Our operating system services provide pro-active administration, management, monitoring and reporting across a wide range of operating systems. Our database services provide database customization and performance tuning operation, administration and monitoring services across a range of database platforms. Our server middleware services provide customization and performance tuning services across a range of platforms. We also offer consulting

services for customers who request additional know-how and guidance relating to disaster recovery and other aspects of our managed hosting services. Our managed hosting services are provided on a continuous basis over the term of the contract.

Managed Cloud Services. The adoption of cloud computing continues to rise and has become a key element of IT strategy for enterprises globally. We believe that our data centers are well-suited for the hosting of cloud platforms. As a result, we have succeeded in attracting a number of major cloud service providers to collocate their cloud service platforms in our data centers, including those operated by Aliyun, the cloud computing unit of Alibaba, and by certain of our other large Internet, telecommunications and IT service provider customers.

The presence in our data centers of major cloud service providers enables us to offer our enterprise customers efficient and reliable access to the high capacity cloud resources of their choosing. On a reciprocal basis, we are able to assist our cloud service provider customers to access the enterprise customers which are present in our data centers. We believe that this established presence in our data centers creates a network effect which will attract other cloud service providers, as well as additional enterprise customers, to collocate in our data centers.

Large enterprises are increasingly deploying a combination of multiple private, hosted, or public cloud services, a configuration known as hybrid cloud. We expect that hybrid clouds will become increasingly prevalent in China. While this configuration can provide enterprises with greater flexibility, scalability, security and cost efficiency, it also presents new challenges in integrating and operating multiple systems. Leveraging our long track record as a provider of IT managed services, we are developing an innovative service platform to assist our enterprise customers in the management of their hybrid clouds. Our platform, which we refer to as CloudMix, provides a robust management interface enabling enterprises to integrate and control every aspect of their hybrid cloud computing environment across their private servers and one or more public cloud service providers. We also architect cloud-based solutions tailored to the unique requirements of each customer. In addition, as part of our managed cloud services we also offer consulting services for customers who request additional know-how and assistance concerning the implementation of cloud-based solutions, such as migration from physical to cloud-based hosting.

Data Center Sourcing and Development

We believe that the size, location, and quality of our facilities are key to maintaining our competitiveness. We apply the same rigor to the process of sourcing, design and construction as we do to our operations. We have a substantial in-house team dedicated to sourcing, feasibility analysis, technical design, costing and project management. The process is comprised of the following steps:

- *Planning and Sourcing.* Our strong customer and industry relationships, combined with our data center presence in key markets in each region and direct sales force, afford us insight into the size, timing, and location of future demand. We incorporate this insight into a multi-year resource plan for each of the key markets. Our in-house team begins sourcing potential sites up to three or more years in advance of planned delivery. We seek to secure sites both in close proximity to central business districts or to areas where there is a concentration of enterprise operations centers so as to satisfy the location preferences of our target customer segments. We consider both greenfield sites when available, and also existing industrial buildings suitable for conversion. We require security of tenure for a minimum of ten years. Our team works closely with local government authorities to obtain necessary permits and approvals, with electric utilities to obtain sufficient power infrastructure and supply, and with telecommunications carriers to ensure multi-carrier connectivity to our data centers. We generally seek to secure sites that can support a net floor area of at least 5,000 square meters per data center building and sufficient power capacity to fulfill the requirements of the customer segments which we expect to serve in the facility.

- *Design and Construction.* We undertake the technical design, specification and costing in-house as we believe that these are important to ensuring the data center meets our strategic requirements. This also enables us to achieve a level of design standardization. We continuously study new engineering and technologies to maintain an advanced design. Our in-house team also takes responsibility for construction project management, which includes scheduling, vendor selection, procurement, budget control and cost analysis, and quality supervision and assurance. We believe that these elements are important to ensuring the project is completed on time, within budget and to the required quality standard.
- *Commissioning and Fit Out.* After the shell and core of a building are completed, we work with our contractors and suppliers to make the data center ready for service, or RFS. This involves: (1) obtaining necessary operating permits and approvals; (2) equipping and fitting out the critical facilities area for utilization by customers; and, (3) pre-operational testing, also referred to as commissioning, to ensure that the facility is fully functioning and capable of providing the required service levels. We have a team dedicated to testing and commissioning before operations commence.

Operations

We have separate teams for data center operations and service delivery. Our data center operations team is responsible for directing, coordinating and monitoring the daily operation of our data center facilities. Our service delivery team is responsible for delivery of the services which we provide to customers on a 24/7 basis. Our teams are deployed in regional operations centers, as well as on site, in order to provide two layers of management and support.

We undertake in-house all technical functions which impact data center performance, including floor planning, equipment lifecycle management, optimizing data center efficiency, surveillance of the critical facilities environment and network performance, incident response management and rectification. We also undertake in-house all activities which have a direct bearing on customers, including support for set up of customer IT equipment, remote hands services, outsourced IT operations, incident and compliance reporting, and response to customer requests.

We have developed a proprietary Data Center Operation Management Platform which provides real-time information on many aspects of data center operating performance and enables us to streamline our data center management processes. We also have developed robust operating procedures, protocols and standards which enable us to meet or exceed the performance and quality levels specified in our service level agreements, or SLAs, with the most sophisticated customers. We have been certified ISO9001, ISO20000 and ISO27001 for almost 10 years. We believe that our standard of data center operations, which reflects our history and culture as an IT service provider, set us apart from many data center service providers in China.

Our Customers

We consider our customer to be the end user of our data center services. We may enter into contracts directly with our end user customer or through an intermediate contracting party. We have long-standing relationships with all the major PRC telecommunications carriers who are both partners providing network services to our customers as well as intermediate contracting parties for the sale of colocation services to our customers. Because we negotiate with, maintain and support each of the end users of our services, even where the actual data center contract is made with the telecommunications carrier, we consider the end user to be our end customer. The end user customer generally has separate decision-making authority and a services procurement budget that is distinct from that of the telecommunications carriers with whom we contract.

We currently serve over 300 customers, including large Internet companies, a diverse community of approximately 140 PRC and foreign financial institutions as well as telecommunications and IT service providers and large domestic private sector and multinational corporations, many of which are leaders in their respective industry verticals. Within our customer base, we host a number of major cloud service providers, including Aliyun, the cloud computing unit of Alibaba, which is present in several of our data centers.

Our Internet and financial institution end user customers accounted for 65.1% and 21.7% of our total area committed as of December 31, 2015. Our two largest end user customers accounted for 40.8% and 15.9%, respectively, of our total area committed as of December 31, 2015. No other end user customer accounted for 10% or more of our total area committed as of that date.

We endeavor to establish strategic relationships with key customers, particularly large Internet companies and cloud service providers who have large data center capacity requirements and who can help enhance the value of our data center ecosystem.

Contract Terms and Pricing

Pricing in our contracts is for a fixed amount which usually includes a stated amount of space, power commitment and other bundled services. Power commitment means the right to use a stated amount of power. Pricing is generally flat over the contract term but subject to adjustments when power tariffs change. Where power tariffs change, we adjust the pricing to reflect the change in power cost going forward. For some customers, we charge for actual power consumed.

A substantial majority of our customer contracts are multi-year contracts. Contracts for our large Internet customers typically have terms of three to six years, while contracts with our enterprise customers are for between one to five years. Our typical service contract provides a notice period of one to six months for early termination, and in certain cases, we are entitled to a substantial amount of early termination damages equivalent to up to 12 months' service fee, in addition to payment for our services already provided before such early termination.

Sales and Marketing

Sales. Our sales activities are mainly conducted through our direct sales force. We organize our direct sales force into four geographic regions, Northern China, Southern China, Eastern China and Western China. We incentivize our sales force to meet their annual targets through performance-based bonuses. For new customers, our sales cycle typically begins with creating a sales plan for a particular region or industry and then identifying new customers in these regions or industries. We also receive referrals from our vendors and other relationships, and often our reputation attracts customers to our services without any directed sales efforts. For our existing customers, our sales team focuses on identifying upsell opportunities.

Many of our customer contracts are won through a competitive bidding process. For new customers, the bidding process begins with evaluation of the potential customer's requirements. We formulate a service proposal based on these requirements. Our team representing multiple departments prepares a proposal to meet the required service scope and level. We negotiate the contract and service details.

Marketing. To support our sales effort and to actively promote our brand, we conduct wide-ranging marketing programs. Our marketing strategies include active public relations and ongoing customer communications programs. We participate in a variety of IT industry and financial services industry conferences and workshops to raise awareness about the value of data center services. We also build our brand recognition by participating in industry and government workshops and industry standard-setting bodies, such as the China National Institute of Standardization Committee on Disaster Recovery for Information Systems.

Technology and Intellectual Property

We rely on a combination of copyright, trademark, trade secrets and other intellectual property laws, nondisclosure agreements and other measures to protect our intellectual property, such as our proprietary storage and management system, for which we have registered a copyright. We also promote protection through contractual prohibitions, such as requiring our employees to enter into confidentiality and non-compete agreements which are applicable to selected employees. We derive most our revenues in China and use , our figure trademark, in a majority of our services. We have registered or are in the process of registering the figure trademark in China in several categories that cover our service areas. A third party has also registered the pure text of "GDS" as a trademark in certain IT-related services. It is our belief, based on our industrial experience, that our business is different from the services for which the third party registered its trademark. Nevertheless, since the services for which the third party trademark is registered are also IT-related and could be deemed as similar to ours to some extent, we cannot assure you that a government authority or court will hold the same view with us that such similarity will not cause confusion in the market. In such a case, if we are to use the pure text of GDS as our trademark, we may be required to explore the possibility of acquiring this trademark, or entering into an exclusive licensing agreement with the third party, which will cause us to incur additional cost. See "Risk Factors—Risk Factors Relating to Our Business and Industry—We may be subject to third-party claims of intellectual property infringement."

Competition

We offer a broad range of data center services and, as a result, we may compete with a wide range of data center service providers for some or all of the services we offer.

We face competition from the state-owned telecommunications carriers, namely China Telecom, China Unicom and China Mobile. As of December 31, 2015, these carriers had a 59% share in aggregate of the high performance data center services market in China based on area committed according to 451 Research. One of the main purposes for which these carriers develop data centers is in order to facilitate the sale of related telecommunications services. In locations outside of the key economic hubs, these three carriers may sometimes be the only available provider of data center services. We distinguish ourselves from these carriers because we are carrier-neutral, enabling our customers to connect within our facilities with all three carriers based on their cost and/or network and application requirements. We compete on the basis of our data center quality, operating track record and differentiated managed and cloud service capabilities. Although we compete with carriers for colocation customers, our customers also rely on the connectivity that carriers provide. We believe that we also have a mutually beneficial relationship with these carriers since our data center services often help carriers attract more customers for their telecommunications services.

We also compete with other carrier-neutral data center service providers, including:

- *Domestic carrier neutral data center service providers.* We compete with domestic carrier-neutral data center service providers with a presence in some or all of our markets, such as Sinnet, Dr. Peng and 21Vianet. We believe that we are well positioned in terms of our operational track record and our ability to: deliver high-performance data center services in all key markets; maintain consistently high facility and service quality; continue capacity expansion in all key markets to accommodate growing demand; and provide differentiated managed service offerings with a unique value proposition.
- *International carrier neutral data center service providers.* We compete to a lesser extent with foreign carrier-neutral data center service providers such as Equinix, KDDI and NTTCom, each of which has a presence in Shanghai and/or Beijing and primarily serve their international customers. We believe that we distinguish ourselves by our larger capacity and more extensive market presence

across the key economics hubs in China, deep operating knowledge and long track record in the China market, and long-term relationships with the telecommunications carriers.

Employees and Training

We had 461 and 617 employees as of December 31, 2014 and 2015, respectively. The following table sets forth the number of our employees by function as of December 31, 2015:

	Number of Employees	% of Total
Colocation services	314	51%
Managed services	127	21%
Sales and marketing	71	11%
Management, finance and administration	105	17%
Total	<u>617</u>	<u>100%</u>

To maintain the highest level of service, employee training and certification is essential to ensure that our employees meet and exceed industry requirements. Many of our engineering employees have received training and certifications from globally-recognized IT service organizations, such as IBM AS/400 certifications.

We pay most of our employees a base salary and performance-based bonuses and provide welfare and other benefits required by law. In addition, we plan to provide some of our employees with stock option to align their interests more closely with our shareholders. We believe that our compensation and benefits packages are competitive within our industry. We have not had any labor disputes that materially interfered with our operations and we believe that our employee relations are good.

We also outsource certain operations, primarily on-site security, to reputable third-party service providers. As of December 31, 2015, we used the services of approximately 180 such personnel.

Facilities

Our headquarters are located at 2/F, Tower 2, Youyou Century Place, 428 South Yanggao Road, Pudong, Shanghai 200127, People's Republic of China. We have additional offices in Beijing, Suzhou, Shenzhen and Chengdu.

Our offices are located on leased premises totaling approximately 2,900 sqm across China. We lease our office premises from unrelated third parties.

Insurance

We have in place insurance coverage up to a level which we consider to be reasonable and which covers the type of risks usually insured by companies on the same or similar types of business as ours in China. Our insurance broadly falls under the following four categories: business interruption for lost profits, property and casualty, public liability, and commercial employee insurance.

Legal Proceedings

We may become subject to legal proceedings, investigations and claims incidental to the conduct of our business from time to time. We are not currently a party to, nor are we aware of, any legal proceeding, investigation or claim which, in the opinion of our management, is likely to have a material adverse effect on our business, financial condition or results of operation.

REGULATIONS

This section sets forth a summary of the material laws and regulations or requirements that affect our business activities in China or the rights of our shareholders to receive dividends and other distributions from us.

Our Internet data center businesses are classified as value-added telecommunication businesses by the PRC government. Current PRC laws, rules and regulations restrict foreign ownership in value-added telecommunication services. As a result, we operate our Internet data center businesses through our consolidated VIEs, each of which is owned by PRC citizens and certain of which hold the licenses associated with these businesses. As the development of the Internet and telecommunications industry in China is still evolving, new laws and regulations may be adopted from time to time that will require us to obtain additional licenses and permits in addition to those that we currently have, and to address new issues that arise from time to time. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and future Chinese laws and regulations applicable to the data center services industry. See "Risk Factors—Risk Relating to Doing Business in the People's Republic of China."

Regulation on Foreign Investment Restrictions

Investment activities in the PRC by foreign investors are principally governed by the Industry Catalog Relating to Foreign Investment, or the Catalog, which was promulgated and is amended from time to time by the Ministry of Commerce and the National Development and Reform Commission. The Catalog divides industries into three categories: encouraged, restricted and prohibited. Industries not listed in the Catalog are generally deemed as constituting a fourth "permitted" category and open to foreign investment unless specifically restricted by other PRC regulations. Industries such as value-added telecommunication services, including Internet data center services, are restricted to foreign investment.

According to the *Administrative Regulations on Foreign-Invested Telecommunications Enterprises* issued by the PRC State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016 respectively, foreign-invested value-added telecommunications enterprises must be in the form of a Sino-foreign equity joint venture. The regulations restrict the ultimate capital contribution percentage held by foreign investor(s) in a foreign-invested value-added telecommunications enterprise to 50% or less and require the primary foreign investor in a foreign invested value-added telecommunications enterprise to have a good track record and operational experience in the VATS industry.

In July 2006, the MIIT issued the *Circular of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business*, or the MIIT Circular, according to which, a foreign investor in the telecommunications service industry of China must establish a foreign invested enterprise and apply for a telecommunications businesses operation license. The MIIT Circular further requires that: (i) PRC domestic telecommunications business enterprises must not, through any form, lease, transfer or sell a telecommunications businesses operation license to a foreign investor, or provide resources, offices and working places, facilities or other assistance to support the illegal telecommunications services operations of a foreign investor; (ii) value-added telecommunications business enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily operations; (iii) each value-added telecommunications business enterprise must have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license; and (iv) all VATS providers are required to maintain network and Internet security in accordance with the standards set forth in relevant PRC regulations. If a license holder fails to comply with the requirements in the MIIT Circular and cure such non-compliance, the MIIT or its local counterparts have the discretion to take measures against such license holder, including revoking its value-added telecommunications business operation license.

In light of the above restrictions and requirements, we conduct our value-added telecommunications businesses through our consolidated VIEs.

Regulations Related to Value-Added Telecommunications Business

Among all of the applicable laws and regulations, the *Telecommunications Regulations of the People's Republic of China*, or the Telecom Regulations, promulgated by the PRC State Council in September 2000 and amended on July 29, 2014 and February 6, 2016 respectively, is the primary governing law, and sets out the general framework for the provision of telecommunications services by domestic PRC companies. Under the Telecom Regulations, telecommunications service providers are required to procure operating licenses prior to their commencement of operations. The Telecom Regulations distinguish "basic telecommunications services" from "VATS." VATS are defined as telecommunications and information services provided through public networks.

The Telecom Catalogue, was issued as an attachment to the Telecom Regulations to categorize telecommunications services as either basic or value-added. In February 2003 and December 2015, the Catalogue was updated respectively, categorizing online data and transaction processing, on-demand voice and image communications, domestic Internet virtual private networks, Internet data centers, message storage and forwarding (including voice mailbox, e-mail and online fax services), call centers, Internet access and online information and data search and etc. as VATS. The "internet data center" business is categorized as a value-added telecommunications business and is defined under the Telecom Catalogue as a business that (i) uses relevant infrastructure facilities in order to render outsourcing services for housing, maintenance, system configuration and management services for clients' Internet or other network related equipment such as servers, (ii) provides the leasing of equipment, such as database systems or servers, and the storage space housing the equipment and (iii) provides lease agency services of connectivity lines and bandwidth of infrastructure facilities and other application services. Also, Internet resources collaboration services business is incorporated into the definition of internet data center business under the 2015 Telecom Catalogue (which took effect from March 1, 2016), and defined as "the data storage, Internet application development environment, Internet application deployment and running management and other services provided for users through Internet or other networks in the manners of access at any time and on demand, expansion at any time and coordination and sharing, by using the equipment and resources built on database centers".

On March 1, 2009, the MIIT promulgated the *Administrative Measures for Telecommunications Business Operating License*, or the Telecom License Measures, which took effect on April 10, 2009. The Telecom License Measures set forth the types of licenses required to provide telecommunications services in China and the procedures and requirements for obtaining such licenses. With respect to licenses for value-added telecommunications businesses, the Telecom License Measures distinguish between licenses for business conducted in a single province, which are issued by the provincial-level counterparts of the MIIT and licenses for cross-regional businesses, which are issued by the MIIT. The licenses for foreign invested telecommunications business operators need to be applied with MIIT. An approved telecommunications services operator must conduct its business in accordance with the specifications stated on its telecommunications business operating license. Pursuant to the Telecom License Measures, cross-regional VATS licenses shall be approved and issued by the MIIT with five-year terms.

On December 1, 2012, the MIIT issued the *Circular of the Ministry of Industry and Information Technology of the People's Republic of China on Further Standardizing the Market Access-related Work for Businesses Concerning Internet Data Centers and Internet Service Providers* which clarifies the application requirements and verification procedures for the licensing of IDC and internet service provider, or ISP, businesses and states that entities intending to engage in the IDC or ISP business could apply for a license since December 1, 2012.

On May 6, 2013, the Q&A was published on the website of China Academy of Telecom Research. The Q&A, although not an official law or regulation, is deemed by the market as a guideline in practice which reflected the attitude of MIIT as to the application for VATS licenses, especially as to IDC services.

To comply with the above restrictions and requirements, both GDS Beijing and GDS Shanghai have obtained cross-regional value added telecommunications licenses which permit them to provide data center services across five cities in China: Beijing, Chengdu, Shanghai, Shenzhen and Suzhou.

Regulations Related to Information Technology Outsourcing Services Provided to Banking Financial Institutions

On June 4, 2010, China Banking Regulatory Commission, or the CBRC, issued the *Guidelines on the Management of Outsourcing Risks of Banking Financial Institutions*, or the Guidelines, which requires that the banking financial institutions should manage risks in relation to outsourcing services, and thus, outsourcing services providers should meet the relevant standards and requirements with respect to their technical strength, service capacity, emergency response capacity, familiarity to the banking industry and etc., to pass the due diligence investigations conducted by the banking financial institutions pursuant to the Guidelines, and should also make commitments as to fulfilling reporting, cooperating, or other obligations as may be required by the banking financial institutions under the Guidelines.

On February 16, 2013, CBRC issued the *Circular of the China Banking Regulatory Commission on Printing and Distributing the Guidelines for the Regulation of Information Technology Outsourcing Risks of Banking Financial Institutions*, or Circular 5. According to Circular 5, CBRC is responsible for supervising banking financial institutions in their access management of information technology outsourcing service providers, organizing relevant banking financial institutions to establish service management records for such service providers, and conducting risk assessment and rating of them. For the outsourcing services providers, including those that are engaged in providing outsourcing services of system operation and maintenance, such as outsourcing of operation and maintenance of data centers, disaster recovery centers, machine room ancillary facilities, and etc., a banking financial institution shall submit a report to the CBRC or the local CBRC office 20 business days before entering into an outsourcing contract, and the CBRC or the local CBRC office may take measures, such as risk alert, interview or regulatory inquiry, for outsourcing risks of the banking financial institution. In the event where the outsourcing services providers are in serious violation of the applicable PRC laws, regulations or regulatory policies, they would be prohibited by CBRC from conducting banking information technology outsourcing services, and the prohibition period should at least be two years, and may be extended if such outsourcing service providers have not made rectification within two years.

In addition, CBRC promulgated the *Notice of the General Office of China Banking Regulatory Commission on Strengthening the Management of Risks Involved in the Offsite and Centralized Information Technology Outsourcing of Banking Financial Institutions* on July 1, 2014, and the *Circular of the General Office of the China Banking Regulatory Commission on Performing Supervision over and Evaluation on Offsite and Centralized Information Technology Outsourcing of Banking Financial Institutions* on December 2, 2014. Pursuant to these regulations, in order to further administrate and supervise the offsite and centralized information technology outsourcing provided by the outsourcing services providers to the banking financial institutions, CBRC requires the contracts between the outsourcing services providers and the banking financial institutions specify, among other things, that outsourcing services providers should comply with the banking regulations and accept the supervision and review as conducted by CBRC, the failure of which would cause such outsourcing services providers to be disqualified for incorporating their services into the supervision and evaluation scope of CBRC, and CBRC will not accept their applications for incorporating their outsourcing services into its supervision and evaluation scope within five years.

Regulations Related to Land Use Rights

On June 11, 2003, the Ministry of Land and Resources, or the MLR promulgated the *Regulation on Grant of State-owned Land Use Rights by Agreement*, which became effective on August 1, 2003. According to such regulation, the land use rights (excluding land use rights used for business purposes, such as commercial, tourism, entertainment and commodity residential properties) may be granted by way of

agreement. The local land bureau and the intended user will negotiate the land premium which shall not be lower than the minimum price approved by the relevant government and enter into the grant contract. Upon signing of the contract for the grant of land use rights, the grantee is required to pay the land premium pursuant to the terms of the contract and the contract is then submitted to the relevant local land bureau for the issue of the land use right certificate. Upon expiration of the term of grant, the grantee may apply for renewal of the term. Upon approval by the relevant local land bureau, a new contract shall be entered into to renew the grant, and a grant premium shall be paid.

If two or more entities are interested in the land use rights proposed to be granted, such land use rights shall be granted by way of tender, auction or putting up for bidding. Furthermore, according to the *Rules Regarding the Grant of State-owned Land Use Rights by Way of Tender, Auction and Listing-for-Sale*, or the Land Use Grant Rules, which are effective from July 1, 2002, land use rights for properties for commercial use, tourism, entertainment and commodity residential purposes can only be granted through tender, auction and listing-for-sale.

After land use rights relating to a particular area of land have been granted by the State, unless any restriction is imposed, the party to whom such land use rights are granted may transfer (for a term not exceeding the term which has been granted by the State), lease or mortgage such land use rights on the conditions provided by laws and regulations. Upon a transfer of land use rights, all rights and obligations contained in the contract pursuant to which the land use rights were originally granted by the State are assigned from the transferor to the transferee.

According to the *Land Registration Regulations* promulgated by the State Land Administration Bureau, the predecessor of the MLR, on December 28, 1995 and implemented on February 1, 1996, the Land Registration Measures promulgated by MLR on December 30, 2007 and effective on February 1, 2008, all land use rights which are duly registered are protected by the law, and the land registration is achieved by the issue of a land use right certificate by the relevant authority to the land user.

Under the *Administration Law of Urban Real Property of the People's Republic of China*, which was issued by the Standing Committee of the National People's Congress on August 30, 2007 and amended on August 27, 2009, the land must be developed in line with the purposes of the land and the deadline for commencement of construction as stipulated in the grant contract. Where construction does not commence within one year of commencement of construction as stipulated in the grant contract, an idle land fee may be charged at a rate of not more than 20% of the fee for the grant of land use rights. Where construction does not commence within two years, land use rights may be forfeited without compensation, except where the commencement of construction is delayed due to force majeure, an act of the government or relevant government departments, or preliminary work necessary for the commencement of construction.

Regulations Related to Leases

According to the *Contract Law of the People's Republic of China* promulgated by the National People's Congress on March 15, 1999 and effective from October 1, 1999, the lease agreement shall be in writing if its term is over six months, and the term of any lease agreement shall not exceed twenty years. During the lease term, any change of ownership to the leased property does not affect the validity of the lease contract. The tenant may sub-let the leased property if it is agreed by the landlord and the lease agreement between the landlord and the tenant is still valid and binding. When the landlord is to sell a leased housing under a lease agreement, it shall give the tenant a reasonable advance notice before the sale, and the tenant has the priority to buy such leased housing on equal conditions. The tenant must pay rent on time in accordance with the lease contract. In the event of default of rental payment without reasonable cause, the landlord may ask the tenant to pay within a reasonable period of time, failing which the landlord may terminate the lease. The landlord has the right to terminate the lease agreement if the tenant sub-lets the property without consent from the landlord, or causes loss to the leased properties resulting from its using the property not in compliance with the usage as stipulated in the lease agreement,

or defaults in rental payment after the reasonable period as required by the landlord, or other circumstances occurs allowing the landlord terminate the lease agreement under relevant PRC laws and regulations, or otherwise, if the landlord wishes to terminate the lease before its expiry date, prior consent shall be obtained from the tenants.

On December 1, 2010, Ministry of Housing and Urban-Rural Development promulgated the *Administrative Measures for Leasing of Commodity Housing*, which became effective on February 1, 2011. According to the *Administrative Measures for Leasing of Commodity Housing*, the landlords and tenants are required to enter into lease contracts which must contain specified provisions, and the lease contract should be registered with the relevant construction or property authorities at municipal or county level within 30 days after its conclusion. If the lease contract is extended or terminated or if there is any change to the registered items, the landlord and the tenant are required to effect alteration registration, extension of registration or deregistration with the relevant construction or property authorities within 30 days after the occurrence of the extension, termination or alteration.

Regulations Related to Intellectual Property Rights

The State Council and the National Copyright Administration, or the NCAC, have promulgated various rules and regulations relating to the protection of software in China. Under these rules and regulations, software owners, licensees and transferees may register their rights in software with the NCAC or its local branches and obtain software copyright registration certificates. Although such registration is not mandatory under PRC law, software owners, licensees and transferees are encouraged to go through the registration process to enjoy the better protections afforded to registered software rights.

On March 1, 2009, the MIIT promulgated the *Administrative Measures on Software Products*, or the Software Measures, which replaced the original *Administrative Measures on Software Measures* promulgated by MIIT in October 2000, to regulate software products and promote the development of the software industry in China. Pursuant to the Software Measures, software products which are developed in China and registered with the local provincial government authorities in charge of the information industry and filed with MIIT may enjoy the relevant encouragement policies. Software developers or producers may sell or license their registered software products independently or through agents. Upon registration, the software products will be granted registration certificates. Each registration certificate is valid for five years and may be renewed upon expiration.

The *PRC Trademark Law*, adopted in 1982 and revised in 1993, 2001 and 2013 respectively, with its implementation rules adopted in 2002 and revised in 2014, protects registered trademarks. The PRC Trademark Office of the State Administration for Industry and Commerce, or the SAIC, handles trademark registrations and grants a protection term of ten years to registered trademarks.

The MIIT amended its *Administrative Measures on China Internet Domain Names* in 2004. According to these measures, the MIIT is in charge of the overall administration of domain names in China. The registration of domain names in PRC is on a "first-apply-first-registration" basis. A domain name applicant will become the domain name holder upon the completion of the application procedure.

Regulations Related to Employment

On June 29, 2007, the Standing Committee of the National People's Congress, or SCNPC, adopted the *Labor Contract Law*, or LCL, which became effective as of January 1, 2008 and was revised in 2012. The LCL requires employers to enter into written contracts with their employees, restricts the use of temporary workers and aims to give employees long-term job security.

Pursuant to the LCL, employment contracts lawfully concluded prior to the implementation of the LCL and continuing as of the date of its implementation will continue to be performed. Where an employment

relationship was established prior to the implementation of the LCL but no written employment contract was concluded, a contract must be concluded within one month after the LCL's implementation.

According to the *Social Insurance Law* promulgated by SCNPC and effective from July 1, 2011, the *Regulation of Insurance for Work-Related Injury*, the *Provisional Measures on Insurance for Maternity of Employees*, *Regulation of Unemployment Insurance*, the *Decision of the State Council on Setting Up Basic Medical Insurance System for Staff Members and Workers in Cities and Towns*, the *Interim Regulation on the Collection and Payment of Social Insurance Premiums and the Interim Provisions on Registration of Social Insurance*, an employer is required to contribute the social insurance for its employees in the PRC, including the basic pension insurance, basic medical insurance, unemployment insurance, maternity insurance and injury insurance.

Under the *Regulations on the Administration of Housing Funds*, promulgated by the State Council on April 3, 1999 and as amended on March 24, 2002, an employer is required to make contributions to a housing fund for its employees.

Regulations Related to Foreign Currency Exchange and Dividend Distribution

Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the *Foreign Exchange Administration Regulations*, as amended in August 2008. Under this regulation, the Renminbi is freely convertible for current account items, including the trade and service-related foreign exchange transactions and other current exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities, unless the prior approval of the SAFE is obtained and prior registration with the SAFE is made.

Pursuant to the *Administration Rules of the Settlement, Sale and Payment of Foreign Exchange* promulgated on June 20, 1996 by the People's Bank of China, foreign-invested enterprises in China may purchase or remit foreign currency for settlement of current account transactions without the approval of the SAFE. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

In addition, the *Notice of the General Affairs Department of SAFE on The Relevant Operation Issues Concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises*, or Circular 142, which was promulgated on August 29, 2008 by SAFE, regulates the conversion by foreign-invested enterprises of foreign currency into Renminbi by restricting how the converted Renminbi may be used. Circular 142 requires that Renminbi converted from the foreign currency-denominated capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the relevant government authority and may not be used to make equity investments in PRC, unless specifically provided otherwise. The SAFE further strengthened its oversight over the flow and use of Renminbi funds converted from the foreign currency-denominated capital of a foreign-invested enterprise. The use of such Renminbi may not be changed without approval from the SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used. Any violation of Circular 142 may result in severe penalties, including substantial fines.

In November 2012, SAFE promulgated the *Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment*, which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of Renminbi proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE

promulgated the *Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents* in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

In July 2014, SAFE decided to further reform the foreign exchange administration system in order to satisfy and facilitate the business and capital operations of foreign invested enterprises, and issued the *Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas*, or Circular 36, on August 4, 2014. This circular suspends the application of Circular 142 in certain areas and allows a foreign-invested enterprise registered in such areas to use the Renminbi capital converted from foreign currency registered capital for equity investments within the PRC.

On March 30, 2015, SAFE released the *Notice on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises*, or Circular 19, which has made certain adjustments to some regulatory requirements on the settlement of foreign exchange capital of foreign-invested enterprises, lifted some foreign exchange restrictions under Circular 142, and annulled Circular 142 and Circular 36. However, Circular 19 continues to, prohibit foreign-invested enterprises from, among other things, using Renminbi fund converted from its foreign exchange capitals for expenditure beyond its business scope, providing entrusted loans or repaying loans between non-financial enterprises.

On June 19, 2016, SAFE issued the *Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts*, or Circular 16, which took effect on the same day. Compared to Circular 19, Circular 16 not only provides that, in addition to foreign exchange capital, foreign debt funds and proceeds remitted from foreign listings should also be subject to the discretionary foreign exchange settlement, but also lifted the restriction, that foreign exchange capital under the capital accounts and the corresponding Renminbi capital obtained from foreign exchange settlement should not be used for repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party.

Circular 37

On July 4, 2014, SAFE promulgated the *Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles*, or Circular 37, which replaced the former circular commonly known as Circular 75 promulgated by SAFE on October 21, 2005. Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a "special purpose vehicle." Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

On February 13, 2015, SAFE released the *Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment*, or Circular 13, which has amended Circular 37 by requiring PRC residents or entities to register with qualified banks rather than SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

Share Option Rules

Under the *Administration Measures on Individual Foreign Exchange Control* issued by the PBOC on December 25, 2006, all foreign exchange matters involved in employee share ownership plans and share option plans in which PRC citizens participate require approval from SAFE or its authorized branch. Pursuant to Circular 37, PRC residents who participate in share incentive plans in overseas non-publicly-listed companies may submit applications to SAFE or its local branches for the foreign exchange registration with respect to offshore special purpose companies. In addition, under the *Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies* issued by SAFE on February 15, 2012, or the Share Option Rules, PRC residents who are granted shares or share options by companies listed on overseas stock exchanges under share incentive plans are required to (i) register with SAFE or its local branches, (ii) retain a qualified PRC agent, which may be a PRC subsidiary of the overseas listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plans on behalf of the participants, and (iii) retain an overseas institution to handle matters in connection with their exercise of share options, purchase and sale of shares or interests and funds transfers.

Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the *Foreign Investment Enterprise Law*, issued in 1986 and amended in 2000, and the *Implementation Rules under the Foreign Investment Enterprise Law*, issued in 1990 and amended in 2001 and 2014 respectively. Under these regulations, foreign investment enterprises in the PRC may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, foreign investment enterprises in the PRC are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds unless these reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations Related to Taxation

Enterprise Income Tax

Prior to January 1, 2008, entities established in the PRC were generally subject to a 30% national and 3% local enterprise income tax rate. Various preferential tax treatments promulgated by PRC tax authorities were available to foreign-invested enterprises.

In March 2007, the National People's Congress enacted the Enterprise Income Tax Law, and in December 2007, the State Council promulgated the *Implementing Rules of the Enterprise Income Tax Law*, or the Implementing Rules, both of which became effective on January 1, 2008. The Enterprise Income Tax Law (i) reduces the top rate of enterprise income tax from 33% to a uniform 25% rate applicable to both foreign-invested enterprises and domestic enterprises and eliminates many of the preferential tax policies afforded to foreign investors, (ii) permits companies to continue to enjoy their existing tax incentives,

subject to certain transitional phase-out rules and (iii) introduces new tax incentives, subject to various qualification criteria.

The Enterprise Income Tax Law also provides that enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore be subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementing Rules further define the term "de facto management body" as the management body that exercises substantial and overall management and control over the production and operations, personnel, accounts and properties of an enterprise. If an enterprise organized under the laws of jurisdiction outside China is considered a PRC resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. First, it would be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. Second, a 10% withholding tax would be imposed on dividends it pays to its non-PRC enterprise shareholders and with respect to gains derived by its non-PRC enterprise shareholders from transfer of its shares.

Prior to January 1, 2008, dividends derived by foreign enterprises from business operations in China were exempted from PRC enterprise income tax. However, such exemption was revoked by the Enterprise Income Tax Law and dividends generated after January 1, 2008 and payable by a foreign-invested enterprise in China to its foreign enterprise investors are subject to a 10% withholding tax, unless any such foreign investor's jurisdiction of incorporation has a tax treaty with China that provides for a preferential withholding arrangement. Pursuant to the *Notice of the State Administration of Taxation on Negotiated Reduction of Dividends and Interest Rates*, which was issued on January 29, 2008 and supplemented and revised on February 29, 2008, and the *Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income*, which became effective on December 8, 2006 and applies to income derived in any year of assessment commencing on or after April 1, 2007 in Hong Kong and in any year commencing on or after January 1, 2007 in the PRC, such withholding tax rate may be lowered to 5% if a Hong Kong enterprise is deemed the beneficial owner of any dividend paid by a PRC subsidiary by PRC tax authorities and holds at least 25% of the equity interest in that particular PRC subsidiary at all times within the 12-month period immediately before distribution of the dividends. Furthermore, the State Administration of Taxation promulgated the *Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties* in October 2009, which stipulates that non-resident enterprises that cannot provide valid supporting documents as "beneficial owners" may not be approved to enjoy tax treaty benefits. Specifically, it expressly excludes an agent or a "conduit company" from being considered as a "beneficial owner" and a "beneficial owner" analysis shall be conducted on a case-by-case basis following the "substance-over-the-form" principle.

Value-Added Tax and Business Tax

Pursuant to applicable PRC tax regulations, any entity or individual conducting business in the service industry is generally required to pay a business tax at the rate of 5% on the revenues generated from providing such services. However, if the services provided are related to technology development and transfer, such business tax may be exempted subject to approval by the relevant tax authorities. Whereas, pursuant to the *Provisional Regulations on Value-Added Tax* of the PRC and its implementation regulations, unless otherwise specified by relevant laws and regulations, any entity or individual engaged in the sales of goods, provision of processing, repairs and replacement services and importation of goods into China is generally required to pay a value-added tax, or VAT, for revenues generated from sales of products, while qualified input VAT paid on taxable purchase can be offset against such output VAT.

In November 2011, the Ministry of Finance and the State Administration of Taxation promulgated the *Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax*. In March 2016, the Ministry of Finance and the State Administration of Taxation further promulgated the *Notice on Fully Promoting the Pilot Plan for Replacing Business Tax by Value-Added Tax*, which became effective on May 1, 2016. Pursuant

to the pilot plan and relevant notices, VAT is generally imposed in the modern service industries, including the VATS, on a nationwide basis. VAT of a rate of 6% applies to revenue derived from the provision of some modern services. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the modern services provided.

Regulations Related to M&A and Overseas Listings

On August 8, 2006, six PRC regulatory agencies, including the Ministry of Commerce, the State-owned Assets Supervision and Administration Commission, the SAT, the SAIC, the China Securities Regulatory Commission, or CSRC, and the SAFE, jointly issued the *Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, or the M&A Rules, which became effective on September 8, 2006 and was amended on June 22, 2009. The M&A Rules, among other things, require that (i) PRC entities or individuals obtain MOFCOM approval before they establish or control a special purpose vehicle, or SPV, overseas, provided that they intend to use the SPV to acquire their equity interests in a PRC company at the consideration of newly issued share of the SPV, or Share Swap, and list their equity interests in the PRC company overseas by listing the SPV in an overseas market; (ii) the SPV obtains MOFCOM's approval before it acquires the equity interests held by the PRC entities or PRC individual in the PRC company by Share Swap; and (iii) the SPV obtains CSRC approval before it lists overseas.

MANAGEMENT

Directors and Executive Officers

The following table sets forth certain information relating to our directors and executive officers upon closing of this offering.

Name	Age	Position/Title
William Wei Huang	48	Co-chairman and chief executive officer
Daniel Newman	55	Chief financial officer
Sio Tat Hiang	68	Co-chairman
Erik Ho Ping Siao	65	Director
Peter Ping Hua	52	Director
Hua Chen	51	Director
Satoshi Okada	57	Director
Bruno Lopez	51	Director
Lee Choong Kwong	59	Director
Lim Ah Doo	66	Director

Mr. William Wei Huang is our founder, a co-chairman of our board of directors and, since 2002, has served as our chief executive officer. Since 2004, Mr. Huang has also served as a director of Haitong-Fortis Private Equity Fund Management Co., Ltd., a domestic private equity fund management company in China. Prior to founding our company, he served as a senior vice president of Shanghai Meining Computer Software Co., Ltd., which operates StockStar.com, a website primarily providing finance and securities related information and services in China, as a vice president of Ego Electronic Commerce Co., Ltd., and as general manager of Shanghai Huayang Computer Co., Ltd.

Mr. Daniel Newman has served as the chief financial officer of GDS since September 2011. Prior to joining us in this capacity, Mr. Newman acted as an advisor to GDS from 2009 to 2011. From 2008 to 2009, Mr. Newman served as a managing director at Bank of America Merrill Lynch with responsibility for investment banking clients in the telecom, media, and technology sectors in Asia. From 2005 to 2007, Mr. Newman acted as an advisor in the chairman's office of Reliance Communications in Mumbai, India. From 2001 to 2005, Mr. Newman served as a managing director at Deutsche Bank with responsibility for investment banking clients in the telecom and media sectors in Asia. Mr. Newman previously worked as an investment banker at Salomon Brothers (and its successors) from 1997 to 2001 and at S.G. Warburg (and its successors) from 1983 to 1997 in London and Hong Kong. Mr. Newman received his bachelor's degree in history from Bristol University in the UK in 1983.

Mr. Sio Tat Hiang has been co-chairman of the board of directors of our company since 2014. Mr. Sio is the Executive Director of ST Telemedia. In this role, he provides strategic direction and overall leadership of ST Telemedia. Under his guidance, ST Telemedia has redefined and broadened its business focus into strategic areas that better position ST Telemedia's portfolio for continued growth and long-term success in the digital economy. Mr. Sio currently also sits on the Board of Asia Mobile Holdings Pte. Ltd., StarHub Ltd, TeleChoice International Limited and U Mobile Sdn Bhd. Prior to ST Telemedia, Mr. Sio served as Vice President of Corporate Finance at Singapore Technologies Pte. Ltd., or ST, where he oversaw ST's treasury and investment management functions. His role was later expanded to include Director of Strategic Investment and Group Treasurer. He graduated with a Bachelor of Business Administration with Honours from the National University of Singapore and attended the London Business School Senior Management Programme.

Mr. Erik Ho Ping Siao has been a director of our company since 2007. Between 2002 and 2007, Mr. Siao worked as an investment consultant. For more than ten years prior to 2002, Mr. Siao served as the Senior Vice President and Director of China Operation at Ecoban Finance Limited in New York, which was a member of SK Group of South Korea. Prior to 1987, Mr. Siao served as the Vice President of ContiTrade

Services Corp. in New York, aka Merban Corp., which was a member of Continental Grain Company. Mr. Siao received a master's degree in international management with distinction from The American Graduate School of International Management, also known as Thunderbird, in 1982.

Dr. Peter Ping Hua has been a director of our company since 2007. Dr. Hua is currently a managing partner of SB China Capital (previously known as SB China Venture Capital). Since joining SB China Capital in 2000, he has led the investment into many high-tech companies in IT, healthcare, and cleaner technologies sectors, including Dian Diagnostics, BGI, Edan, Navinfo, Shenwu, Longxin, GDS Holdings and PPTV. Prior to joining SBCVC, he was with McKinsey & Company and Siemens (USA). Dr. Hua holds B.S. from Shanghai Jiao Tong University, MBA from Kellogg School of Management, Northwestern University, Ph. D. from University of Wisconsin.

Ms. Hua Chen has been a director of our company since May 2016. Ms. Chen has been the chief financial officer and operating partner of SBCVC since 2010. Ms. Chen currently serves as a director at various entities, including serving as an independent director of Technovator International Limited, director of Xi'an Kanghong New Material Technology Co. Ltd., director of Zhangjiagang Glory Biomaterial Co., Ltd., director of Zhangjiagang Meijingrong Chemical Co., Ltd., and director of Tianjin Century Dragon Pharmaceutical Co., Ltd. Prior to join SBCVC, Ms. Chen was a director and chief financial officer in the asset management division of Credit Suisse. She was a Tax Consulting Manager of Arthur Andersen LLP and Ernst & Young LLP. Ms. Chen holds B.S. degrees in accounting and finance from New York University Stern Business School, and M.S. degree in taxation from Fordham University. Ms. Chen is a certified public accountant in the United States.

Mr. Satoshi Okada has been a director of our company since 2014. Mr. Okada previously served as executive vice president of SOFTBANK Group's e-commerce business planning in Japan since April 2000. Prior to that, he held various management positions within the SOFTBANK Group. He also previously held directorship in Ariba Japan and Deecorp Limited, companies engaging in the businesses of technology and software, respectively. Mr Okada also was represented SoftBank serves as a director on the board of Alibaba.com while it was a public company in Hong Kong. Before joining the SOFTBANK Group, Mr. Okada was chief executive officer and president of NetIQ KK, the Japanese subsidiary of NetIQ Corporation, a provider of e-business infrastructure management software. Mr. Okada is also renowned in the storage management industry for his success in establishing Cheyenne Software KK and Computer Associates Japan as industry leaders in the Japanese market.

Mr. Bruno Lopez has been a director of our company since 2014. Mr. Lopez is the chief executive officer of ST Telemedia's Data Centre business—STT Global Data Centres. In the past two years, Mr. Lopez led ST Telemedia in its strategy to build a portfolio of integrated data centres across a global platform in Singapore, UK and also in China through GDS Holdings. Prior to joining ST Telemedia, Mr Lopez held several senior operational and management positions in the telecommunications arm of Singapore-listed conglomerate, Keppel T&T from 1995 to April 2014. In his last position in Keppel T&T, as the executive director and chief executive officer of Keppel Data Centres, Mr Lopez was responsible for developing Keppel's data centre business in Asia and Europe across key first tier cities servicing some of the largest blue chip customers. In 2010, Mr. Lopez set up Securus Data Property Fund, a data centre-specific investment fund focused on the acquisition of high quality data centre assets in Asia-Pacific and Europe. Prior to his departure from Keppel T&T, Mr Lopez also played a key role in preparing the business of Keppel Data Centres for a REIT listing on the Singapore Exchange after establishing a data centre development platform for future growth. He holds a Bachelor of Arts with Honours from National University of Singapore and a Masters in Human Resource from Rutgers University, US.

Mr. Lee Choong Kwong has been a director of our company since 2014. Mr. Lee is ST Telemedia's executive vice president for China. He is responsible for China investments and business development. Mr. Lee brings with him more than 15 years of China business experience. He played a key role in ST Telemedia's investments in the Chinese market with China Unicom and China Huaneng. Prior to joining

ST Telemedia, Mr. Lee led ST Electronics & Engineering's research and development team, and held various senior managerial positions in project management and operations with ST Ventures. Mr. Lee holds a Bachelor of Electrical & Electronic Engineering degree from the National University of Singapore (NUS), and a UCLA-NUS Executive MBA.

Mr. Lim Ah Doo has been a director of our company since 2014. Mr. Lim is currently an independent non-executive director of ARA-CWT Trust Management (Cache) Limited, GP Industries Limited, SM Investments Corporation, Sembcorp Marine Ltd, U Mobile Sdn Bhd, Bracell Limited (formerly known as Sateri Holdings Limited) and Singapore Technologies Engineering Ltd. He also chairs the audit committees of ARA-CWT Trust Management (Cache), GP Industries and U Mobile, and is also a member of the audit committee of Singapore Technologies Engineering, Sembcorp Marine and SM Investments Corporation. He is also a member of the Ethics Sub-Committee, Public Accountants Oversight Committee, Singapore. During his 18-year distinguished banking career in Morgan Grenfell, Mr. Lim held several key positions including chairing Morgan Grenfell (Asia). He also chaired the Singapore Investment Banking Association in 1994. From 2003 to 2008, he was president and then vice chairman of the RGM group, a leading global resource-based group. Mr. Lim holds an honours degree in Engineering from the Queen Mary College, University of London in 1971, and a Master in Business Administration from the Cranfield School of Management in 1976.

Duties of Directors

Under Cayman Islands law, our directors have a fiduciary duty to act honestly in good faith with a view to our best interests. Our directors also have a duty to exercise the care, diligence and skill 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 Amended and Restated Memorandum and Articles of Association. A shareholder has the right to seek damages if a duty owed by our directors is breached.

The functions and powers of our board of directors include, among others:

- conducting and managing the business of our company;
- representing our company in contracts and deals;
- appointing attorneys for our company;
- select senior management such as managing directors and executive directors;
- providing employee benefits and pension;
- managing our company's finance and bank accounts;
- exercising the borrowing powers of our company and mortgaging the property of our company; and
- exercising any other powers conferred by the shareholders meetings or under our Amended and Restated Memorandum and Articles of Association.

Terms of Directors and Executive Officers

We may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Board. Any Director so appointed by the Board holds office until the next following annual general meeting of our company and would be eligible for re-election. A director may be removed by way of an ordinary resolution of the Members before the expiration of his period of office. We may increase or reduce the number of Directors in general meeting by ordinary resolution but the number of Directors shall never be less than two (2). There is no maximum number of Directors.

Board Committees

Our board of directors has established an audit committee, a remuneration committee and an executive committee. We currently do not plan to establish a nominating committee. As a foreign private issuer, we are permitted to follow home country corporate governance practices under . This home country practice of ours differs from regarding implementation of a nominating committee and the director nomination process, because there are no specific requirements under Cayman Islands law on the establishment of a nominating committee and the director nomination process.

Audit Committee

Our audit committee will initially consist of , and . will be the chairman of our audit committee. and satisfy the criteria of an audit committee financial expert as set forth under the applicable rules of the SEC. and satisfy the requirements for an "independent director" within the meaning of and will meet the criteria for independence set forth in Rule 10A-3 of the United States Securities Exchange Act of 1934, as amended, or the Exchange Act. Our audit committee will consist solely of independent directors within one year of this offering.

The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. Our audit committee is responsible for, among other things:

- selecting the independent auditor;
- pre-approving auditing and non-auditing services permitted to be performed by the independent auditor;
- annually reviewing the independent auditor's report describing the auditing firm's internal quality control procedures, any material issues raised by the most recent internal quality control review, or peer review, of the independent auditors and all relationships between the independent auditor and our company;
- setting clear hiring policies for employees and former employees of the independent auditors;
- reviewing with the independent auditor any audit problems or difficulties and management's response;
- reviewing and, if material, approving all related party transactions on an ongoing basis, including transactions with EDC Holding or any of its subsidiaries;
- reviewing and discussing the annual audited financial statements with management and the independent auditor;
- reviewing and discussing with management and the independent auditors major issues regarding accounting principles and financial statement presentations;
- reviewing reports prepared by management or the independent auditors relating to significant financial reporting issues and judgments;
- discussing earnings press releases with management, as well as financial information and earnings guidance provided to analysts and rating agencies;
- reviewing with management and the independent auditors the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on our financial statements;
- discussing policies with respect to risk assessment and risk management with management, internal auditors and the independent auditor;
- timely reviewing reports from the independent auditor regarding all critical accounting policies and practices to be used by our company, all alternative treatments of financial information within

U.S. GAAP that have been discussed with management and all other material written communications between the independent auditor and management;

- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- such other matters that are specifically delegated to our audit committee by our board of directors from time to time;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.

Remuneration Committee

Our remuneration committee will initially consist of _____, and _____. _____ is the chairman of our remuneration committee, and satisfy the requirements for an "independent director" within the meaning of _____.

Our remuneration committee is responsible for, among other things:

- reviewing, evaluating and, if necessary, revising our overall compensation policies;
 - reviewing and evaluating the performance of our directors and senior officers and determining the compensation of our senior officers;
 - reviewing and approving our senior officers' employment agreements with us;
 - setting performance targets for our senior officers with respect to our incentive—compensation plan and equity-based compensation plans;
 - administering our equity-based compensation plans in accordance with the terms thereof; and
- such other matters that are specifically delegated to the remuneration committee by our board of directors from time to time.

Executive Committee

Our executive committee will initially consist of _____, and _____. _____ William Wei Huang, our chief executive officer, is the chairman of our executive committee.

The executive committee functions primarily as an advisory body to our board of directors to oversee the business of our group companies. The executive committee shall also provide consultation and recommendations to our board of directors on operating and strategic matters for any of our group companies, acting within authorities delegated to it by our board of directors. In addition, the executive committee shall have such other authority as may be delegated to it by our board of directors from time to time. Our executive committee is responsible for, among other things, advising, providing consultation and recommendations to our board of directors on:

- operational performance of any of our group companies;
- appropriate strategies for any of our group companies;

- strategic business and financing plans and annual budget of any of the group companies;
- acquisitions, dispositions, investments and other potential growth and expansion opportunities for any of our group companies;
- capital structure and financing strategy of our group companies, including any debt, equity or equity-linked financing transactions, as well as any issuance, repurchase, conversion or redemption of any equity interests or debt of any of our group companies;
- any material litigation or other legal or administrative proceedings to which any of our group companies is a party;
- entry into any material contracts exceeding the approval authority of our chief executive officer or its equivalent, the chief financial officer, and all the other senior officers of any of our group companies reporting directly to the chief executive officer;
- entry into or agreeing to any transaction between any of our group companies and any shareholder, director, officer or affiliate of us or of any affiliate thereof;
- reporting regularly to our board of directors; and
- any other responsibilities as are delegated to the executive committee by our board of directors from time to time.

Corporate Governance

Our board of directors has adopted a code of ethics, which is applicable to our senior executive and financial officers. In addition, our board of directors has adopted a code of conduct, which is applicable to all of our directors, officers and employees. We will make our code of ethics and our code of conduct publicly available on our web site.

In addition, our board of directors has adopted a set of corporate governance guidelines. The guidelines reflect certain guiding principles with respect to our board's structure, procedures and committees. The guidelines are not intended to change or interpret any law, or our amended and restated memorandum and articles of association.

Remuneration and Borrowing

The directors may determine remuneration to be paid to the directors. The remuneration committee will assist the directors in reviewing and approving the compensation structure for the directors. The directors may exercise all the powers of our company to borrow money, mortgage or charge its undertaking, property and uncalled capital and issue debentures or other securities whether outright or as security for any debt obligations of our company or of any third party.

Qualification

There is no requirement for our directors to own any shares in our company in order for them to qualify as a director.

Employment Agreements

We have entered into employment agreements with each of our executive officers. We may terminate their employment for cause at any time without remuneration for certain acts, such as a material breach of our company's employment principles, policies or rules, a material failure to perform his or her duties or misappropriation or embezzlement or a criminal conviction. We may also terminate any executive officer's employment without cause or due to a change of control event involving our company by giving a thirty-day written notice. In such cases, an executive officer is entitled to severance payments and benefits.

An executive officer may terminate his or her employment at any time by giving a one-month written notice under certain specified circumstances, in which case the executive officer is entitled to the same severance benefits as in the situation of termination by us without cause.

Our executive officers have also agreed not to engage in any activities that compete with us or to directly or indirectly solicit the services of any of our employees, for a period of years after the termination of employment. Each executive officer has agreed to hold in strict confidence any trade secrets of our company, including technical secrets, marketing information, management information, legal information, third-party business secrets and other kinds of confidential information. Each executive officer also agrees to perform his or her confidentiality obligation and protect our company's trade secrets in a way consistent with the policies, rules and practices of our company. Breach of the above confidentiality obligations would be deemed as material breach of our company's employment policies and we are entitled to seek legal remedies.

Compensation of Directors and Executive Officers

In 2015, we and our subsidiaries paid aggregate cash compensation of approximately US\$1,324,680 to our directors and executive officers as a group. We did not pay any other cash compensation or benefits in kind to our directors and executive officers. We set aside an aggregate of US\$95,539 for pensions, retirement or other benefits for our directors and executive officers in 2015.

For information regarding options granted to our directors and executive officers, see "—Share Incentive Plan."

Share Incentive Plan

Our equity incentive plan adopted in 2014, or the share incentive plan, provides for the grant of options, share appreciation rights or other share-based awards, which we refer to collectively as equity awards. Up to 29,240,000 ordinary shares upon exercise of equity awards may be granted under our share incentive plan. We believe that the plan will aid us in recruiting, retaining and motivating key employees, directors and consultants of outstanding ability through the granting of equity awards.

Administration

Our share incentive plan is administered by our board of directors (only with respect to options to be granted on the date of the completion of this offering), the remuneration committee, or any subcommittee thereof to whom the board or the remuneration committee shall delegate the authority to grant or amend equity awards. The plan administrator is authorized to interpret the plan, to establish, amend and rescind any rules and regulations relating to the plan, and to make any other determinations that it deems necessary or desirable for the administration of the plan, as well as determine the provisions, terms and conditions of each award consistent with the provisions of the plan.

Change in Control

In the event of a change in control, any outstanding awards that are unexercisable or otherwise unvested or subject to lapse restrictions, as determined by the plan administrator, will automatically be deemed exercisable or otherwise vested or no longer subject to lapse restrictions, as the case may be, immediately prior to such change in control. The plan administrator may also, in its sole discretion, decide to cancel such awards for fair value, provide for the issuance of substitute awards that will substantially preserve the otherwise applicable terms of any affected awards previously granted or provide that affected options will be exercisable for a period of at least 15 days prior to the change in control but not thereafter. A "change in control" under the share incentive plan is defined as (1) the sale of all or substantially all of our assets, (2) any person or group (other than certain permitted holders) becomes the beneficial owner of

more than 50% of the total voting power of our voting stock or (3) a majority of our board of directors cease to be continuing directors during any period of two consecutive years.

Term

Unless terminated earlier, our share incentive plan will continue in effect for a term of five years from the date of its adoption.

Vesting Schedule

In general, the plan administrator determines, or the award agreement specifies, the vesting schedule.

Amendment and Termination of Plan

Our board of directors may at any time amend, alter or discontinue our share incentive plan, subject to certain exceptions.

Granted Options

The total number of shares that may be issued under our share incentive plan is 29,240,000. As of the date of this prospectus, options to purchase 29,240,000 ordinary shares were granted and outstanding, out of which 28,173,333 share options were fully vested and 1,066,667 share options were not vested.

The table below summarizes, as of the date of this prospectus, the options we have granted to our directors and executive officers.

Name	Position	Number of Securities underlying unexercised options exercisable ⁽¹⁾	Option Exercise Price	Grant Date	Option Expiration Date
William Wei Huang	Co-chairman and chief executive officer	4,186,253	US\$ 0.7792	July 1, 2014	July 1, 2019
		7,114,840	US\$ 0.7792	May 1, 2016	May 1, 2021
Daniel Newman	Chief financial officer	*	US\$ 0.7792	July 1, 2014	July 1, 2020
Satoshi Okada	Director	*	US\$ 0.7792	July 1, 2014	July 1, 2019

* Less than 1% of our outstanding shares assuming conversion of all convertible redeemable preferred shares into ordinary shares.

(1) Note: Fully vested.

As of the date of this prospectus, individuals other than our directors and executive officers as a group hold options to purchase a total of 13,696,907 ordinary shares of our company, with an exercise price of US\$0.7792 per ordinary share.

PRINCIPAL SHAREHOLDERS

The following table sets forth information as of the date of this prospectus with respect to the beneficial ownership of our ordinary shares by:

- each of our directors and executive officers; and
- each person known to us to own beneficially 5.0% or more of our ordinary shares.

Beneficial ownership is determined in accordance with the rules of the SEC and includes voting or investment power with respect to, or the power to receive the economic benefit of ownership of, the securities. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option or other right or the conversion of any other security.

The total number of ordinary shares outstanding as of the date of this prospectus is 567,075,599, assuming conversion of all convertible redeemable preferred shares into ordinary shares.

The total number of ordinary shares outstanding after completion of this offering will be _____, assuming no change in the number of ADSs offered by us as set forth on the cover page of this prospectus. The underwriters may choose to exercise the over-allotment option in full, in part or not at all.

	Ordinary Shares Beneficially Owned Prior to This Offering		Ordinary Shares Beneficially Owned After This Offering	
	Number	Percent	Number	Percent
Directors and Executive Officers**:				
William Wei Huang ⁽¹⁾	78,891,429	13.6%		
Daniel Newman ⁽²⁾	9,072,000	1.6%		
Sio Tat Hiang	—	—		
Erik Ho Ping Siao	—	—		
Peter Ping Hua	—	—		
Hua Chen	—	—		
Satoshi Okada ⁽³⁾	*	*		
Bruno Lopez	—	—		
Lee Choong Kwong	—	—		
Lim Ah Doo	*	*		
Directors and Executive Officers as a Group ⁽⁴⁾	90,971,076	15.6%		
Principal Shareholders:				
STT GDC ⁽⁵⁾	238,526,241	42.1%		
SoftBank China Venture Capital ⁽⁶⁾	102,770,490	18.1%		
Global Data Solutions Limited ⁽⁷⁾	91,237,709	16.1%		
EDC Group Limited ⁽⁸⁾	42,975,884	7.6%		

* Beneficially owns less than 1% of our outstanding shares.

** The business address for our directors and executive officers is at 2/F, Tower 2, Youyou Century Place, 428 South Yanggao Road, Pudong, Shanghai 200127, People's Republic of China.

- (1) Represents (i) 3,286,144 of the ordinary shares held by Global Data Solutions Limited, a limited liability company established in the Cayman Islands, (ii) 42,975,884 of the ordinary shares held by EDC Group Limited, a limited liability company established in the British Virgin Islands, (iii) 21,328,308 of the ordinary shares held by GDS Enterprises Limited, a limited liability company established in the British Virgin Islands, and (iv) 11,301,093 of ordinary shares underlying share options exercisable within 60 days after the date of this prospectus held by Treasure Luck Investment Corporation, a limited liability company established in the British Virgin Islands, which Mr. Huang is the sole beneficial owner. Mr. Huang indirectly holds approximately 3.60% of the ordinary shares of Global Data Solutions Limited, which holds approximately 16.09% of our ordinary shares. Mr. Huang is the sole beneficial owner of both EDC Group Limited and GDS Enterprises Limited. Global Data Solutions Limited and EDC Group Limited are further described in footnotes 7 and 8 below, respectively.
- (2) Represents (i) 6,000,000 of the ordinary shares held by Ofira Capital Limited, a limited liability company established in the British Virgin Islands, and (ii) 3,072,000 of ordinary shares underlying share options exercisable within 60 days after the date of this prospectus held by Mr. Newman. Mr. Newman is the sole beneficial owner of Ofira Capital Limited.
- (3) Represents ordinary shares underlying share options exercisable within 60 days after the date of this prospectus held by Mr. Okada.
- (4) Represents ordinary shares beneficially held by all of our directors and executive officers as a group and ordinary shares issuable upon exercise of options within 60 days after the date of this prospectus held by all of our directors and executive officers as a group.
- (5) Represents 238,526,241 ordinary shares upon conversion of 238,526,241 Series C preferred shares that are beneficially owned by STT GDC, a limited liability company established in Singapore and wholly owned subsidiary of ST Telemedia. The registered address of STT GDC is 1 Temasek Avenue, #33-01, Millenia Tower, Singapore 039192.
- (6) Represents 21,844,099 ordinary shares upon conversion of 21,844,099 Series A preferred shares held by SBCVC Fund II, L.P., 6,916,645 ordinary shares upon conversion of 6,916,645 Series A* preferred shares held by SBCVC Company Limited, 2,576,483 ordinary shares upon conversion of 2,576,483 Series B preferred shares held by SBCVC Fund II-Annex, L.P., 5,763,871 ordinary shares upon conversion of 5,763,871 Series B1 preferred shares held by SBCVC Company Limited, 5,763,871 ordinary shares upon conversion of 5,763,871 Series B1 preferred shares held by SBCVC Venture Capital, 10,435,639 ordinary shares upon conversion of 10,435,639 Series B2 preferred shares held by SBCVC Company Limited, 14,076,620 ordinary shares upon conversion of 14,076,620 Series B4 preferred shares held by SBCVC Fund III L.P., and 35,393,262 ordinary shares upon conversion of 35,393,262 Series B5 preferred shares held by SBCVC Fund III L.P. We collectively refer to SBCVC Fund II, L.P., SBCVC Company Limited, SBCVC Fund II-Annex, L.P., SBCVC Venture Capital and SBCVC Fund III L.P. as SoftBank China Venture Capital. The registered address of SoftBank China Venture Capital is Suite 15 A-C, 15/F HuaMin Empire Plaza, 728 West Yan An Road, Shanghai 200050, PRC.
- (7) Represents 91,237,709 ordinary shares held by Global Data Solutions Limited, a limited liability company established in the Cayman Islands. Global Data Solutions Limited is owned by its respective shareholders, including, among others, Mr. William Wei Huang, our co-chairman and chief executive officer. Voting and investment power of the shares held by Global Data Solutions Limited is exercised by its board of directors, which consists of William Wei Huang, Alan Song, Erik Ho Ping Siao, Qihang Chen and Xu Zhang. The registered address of Global Data Solutions Limited is Cricket Square, Hutchins Drive, P.O. Box 2681GT, George Town, Grand Cayman KY1-1111.
- (8) Represents 42,975,884 ordinary shares held by EDC Group Limited, a limited liability company established in the British Virgin Islands. Mr. Huang is the sole beneficial owner EDC Group Limited. The registered address of EDC Group Limited is OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands.

As of the date of this prospectus, none of our outstanding ordinary shares or preferred shares are held by record holders in the United States. Except as stated in the footnotes to the table above, we are not aware of any of our shareholders being affiliated with a registered broker-dealer or being in the business of underwriting securities.

None of our existing shareholders has voting rights that will differ from the voting rights of other shareholders after the completion of this offering. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

We have outstanding convertible bonds in the aggregate principal amount of US\$150.0 million due December 30, 2019. We may, at our option, require the original subscribers, STT GDC to subscribe for an additional amount of these bonds as to US\$50.0 million, and thereafter, Ping An Insurance to subscribe for an additional amount as to US\$50.0 million, at any time until September 30, 2016. In addition, following this offering, we may require the conversion of the bonds assuming the average per-ordinary-share-equivalent closing trading price of our ADSs in any period of ten (10) consecutive trading days following this

offering is at least 125% of US\$1.68 and we exercise our right to cause STT GDC and Ping An Insurance to convert the bonds. If the bondholders elect to convert, or we cause the bondholders to convert, their bonds, up to 89,538,233 ordinary shares will be issued. The conversion of the bonds would result in substantial dilution of our ADSs and ordinary shares and a decline in their market price. There can be no certainty as to whether the bondholders will elect to convert, or if we will be entitled to cause the bondholders to convert, their bonds at the time of or after the completion of this offering.

Historical Changes in Our Shareholding

See "Description of Share Capital—History of Securities Issuances" for historical changes in our shareholding.

RELATED PARTY TRANSACTIONS

Transactions with Certain Directors, Shareholders, Affiliates and Key Management Personnel

In December 2013, we made a prepayment of RMB320.0 million to EDC Holding under a service agreement where we were a customer of EDC Holding. The prepayment covered a two-year service period from 2014 to 2015. During the six-month period ended June 30, 2014, EDC Holding provided services to us amounting to RMB55.9 million.

During the six-month period ended June 30, 2014, the Company provided loans to EDC Holding amounting to RMB307.0 million. Interest income on the loans amounted to RMB4.3 million.

In January 2013, EDC Holding provided a loan of US\$8.0 million to the Company. During the six-month period ended June 30, 2014, interest expenses on the loan amounted to RMB0.2 million.

At the acquisition date, such balances were effectively settled and eliminated upon consolidation.

Short-term loans of RMB259.0 million and RMB247.0 million (US\$38.1 million) as of December 31, 2014 and 2015 were guaranteed by Mr. William Wei Huang.

Long-term loans of RMB15.0 million and RMB195.0 million (US\$30.1 million) as of December 31, 2014 and 2015 were guaranteed by Mr. William Wei Huang.

Transactions with Our Shareholders

In August 2014, we repurchased 13,905,901 Series A preferred shares, 4,403,119 Series A* preferred shares, 1,640,183 Series B preferred shares, 7,338,532 Series B1 preferred shares, 6,643,303 Series B2 preferred shares and 8,961,143 Series B4 preferred shares at US\$1.0365 per share, for a cash consideration of US\$44.5 million, from SBCVC Company Limited, SBCVC Fund II-Annex, L.P., SBCVC Venture Capital, SBCVC Fund II, L.P., and SBCVC Fund III, L.P. As of December 31, 2014, outstanding consideration payable to certain of these SBCVC entities amounted to RMB23.3 million (US\$3.8 million), which was fully settled in 2015.

During the year ended December 31, 2015, we borrowed a loan of US\$10.0 million from STT GDC. The interest expenses on the loan amounted to US\$0.4 million. As of December 31, 2015, the amount due to STT GDC comprised an outstanding short-term loan balance of US\$10.0 million and accrued loan interest of US\$0.4 million.

On January 29, 2016, we received the second tranche of US\$50.0 million from STT GDC to subscribe for convertible and redeemable bonds due 2019, of which US\$10.0 million was used to settle the outstanding short-term loan of US\$10.0 million.

Contractual Arrangements with Our Consolidated VIEs and their Shareholders

See "Our History and Corporate Structure—Variable Interest Entity Contractual Arrangements."

Private Placement

See "Description of Share Capital—History of Securities Issuances."

Members (Shareholders) Agreements

See "Description of Share Capital—Members (Shareholders) Agreement and Voting Agreement."

Employment Agreements

See "Management—Qualification—Employment Agreements."

Share Options

See "Management—Share Incentive Plan."

DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands exempted company with limited liability and our affairs are governed by our memorandum and articles of association, the Companies Law (2013 Revision), as amended, of the Cayman Islands, which is referred to as the Companies Law below, and the common law of the Cayman Islands.

As of the date of this prospectus, our authorized share capital was US\$51,310 divided into 675,636,564 ordinary shares of nominal or par value of US\$0.00005 each, 29,635,045 Series A preferred shares of nominal or par value of US\$0.00005 each, 6,916,645 Series A* preferred shares of nominal or par value of US\$0.00005 each, 2,576,483 Series B preferred shares of nominal or par value of US\$0.00005 each, 11,527,742 Series B1 preferred shares of nominal or par value of US\$0.00005 each, 10,435,639 Series B2 preferred shares of nominal or par value of US\$0.00005 each, 14,076,620 Series B4 preferred shares of nominal or par value of US\$0.00005 each, 35,395,262 Series B5 preferred shares of nominal or par value of US\$0.00005 each, and 240,000,000 Series C preferred shares of a nominal or par value of US\$0.00005 each. As of the date of this prospectus, there were 217,987,922 ordinary shares and 349,087,677 preferred shares issued and outstanding. Upon the closing of this offering, we will have ordinary shares issued and outstanding (or ordinary shares if the underwriters exercise in full the over-allotment option), excluding ordinary shares issuable upon the exercise of outstanding options under our share incentive plan as of the closing of this offering. All of our ordinary shares issued and outstanding prior to the completion of the offering are and will be fully paid, and all of our shares to be issued in the offering will be issued as fully paid. Our authorized share capital post-offering will be US\$ divided into ordinary shares with a par value of US\$0.00005 each.

Our memorandum and articles of association will become effective upon completion of this offering. The following are summaries of material provisions of our memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares.

Ordinary Shares

General

All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and vote their ordinary shares.

Dividends

The holders of our ordinary shares are entitled to such dividends as may be declared by our shareholders or board of directors subject to the Companies Law and to the articles of association.

Voting Rights

Each ordinary share is entitled to one vote on all matters upon which the ordinary shares are entitled to vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be demanded by the chairman of such meeting or any one shareholder present in person or by proxy.

An ordinary resolution to be passed by the shareholders requires the affirmative vote of a simple majority of votes attached to the ordinary shares cast in a general meeting, while a special resolution requires the affirmative vote of no less than two-thirds of votes cast attached to the ordinary shares. A special resolution will be required for important matters such as a change of name or making changes to our memorandum and articles of association.

Transfer of Ordinary Shares

Subject to the restrictions contained in our articles of association, as applicable, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- the ordinary shares transferred are fully paid and free of any lien in favor of us; and
- any fee related to the transfer has been paid to us; and
- the transfer is not to more than four joint holders.

If our directors refuse to register a transfer they shall, within three months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

Liquidation

On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed among the holders of the ordinary shares on a *pro rata* basis. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders proportionately.

Calls on Ordinary Shares and Forfeiture of Ordinary Shares

Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption of Ordinary Shares

Subject to the provisions of the Companies Law and other applicable law, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders, on such terms and in such manner, including out of capital, as may be determined by the board of directors.

Variations of Rights of Shares

If at any time, our share capital is divided into different classes of shares, all or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. Consequently, the rights of any class of shares cannot be detrimentally altered without a majority of two-thirds of the vote of all of the shares in that class. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

General Meetings of Shareholders

Shareholders' meetings may be convened by a majority of our board of directors or our chairman. Advance notice of at least ten clear days is required for the convening of our annual general shareholders' meeting and any other general meeting of our shareholders. A quorum required for a meeting of shareholders consists of at least two shareholders present or by proxy, representing not less than one-third in nominal value of the total issued voting shares in our company.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will in our articles provide our shareholders with the right to inspect our list of shareholders and to receive annual audited financial statements. See "Where You Can Find More Information."

Changes in Capital

We may from time to time by ordinary resolution:

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount; or
- cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of our share capital by the amount of the shares so cancelled.

We may by special resolution reduce our share capital or any capital redemption reserve in any manner permitted by law.

Exempted Company

We are an exempted company with limited liability under the Companies Law of the Cayman Islands. The Companies Law in the Cayman Islands distinguishes between ordinary resident companies and exempted companies. Any company that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except for the exemptions and privileges listed below:

- an exempted company does not have to file an annual return of its shareholders with the Registrar of Companies;
- an exempted company's register of members is not open to inspection;
- an exempted company does not have to hold an annual general meeting;
- an exempted company may issue no par value, negotiable or bearer shares;
- an exempted company may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- an exempted company may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- an exempted company may register as a limited duration company; and
- an exempted company may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company. Upon the closing of this offering, we will be subject to reporting and other informational requirements of the Exchange Act, as applicable to foreign private issuers. We currently intend to comply with the [NYSE/NASDAQ] rules in lieu of following home country practice after the closing of this offering. The [NYSE/NASDAQ] rules require that every company listed on the [NYSE/NASDAQ] hold an annual general meeting of shareholders. In addition, our articles of association [allow] directors to call special meeting of shareholders pursuant to the procedures set forth in our articles.

Differences in Corporate Law

The Companies Law is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and Similar Arrangements

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by a special resolution of the members of each constituent company.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissenting shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors (representing 75% by value) with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a take over offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in the Memorandum and Articles of Association

[Some provisions of our memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.]

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act *bona fide* in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Neither Cayman Islands law nor our articles of association allow our shareholders to requisition a shareholders' meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings. However, our articles of association require us to call such meetings every year.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting

potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our articles of association, directors may be removed by ordinary resolution.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into *bona fide* in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Law of the Cayman Islands and our articles of association, our company may be dissolved, liquidated or wound up by the vote of holders of two-thirds of our shares voting at a meeting or the unanimous written resolution of all shareholders.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, our memorandum and articles of association may only be amended by special resolution or the unanimous written resolution of all shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

History of Securities Issuances

The following is a summary of our securities issuances since our inception.

Ordinary Shares

On December 1, 2006, we issued one share to Codan Trust Company (Cayman) Limited, and such share was transferred to Alan Song on the same day. On December 19, 2006, we issued a total of 110,000,000 ordinary shares, with nominal or par value of US\$0.00005, to Global Data Solutions Limited.

On June 30, 2014, we issued 88,352,558 ordinary shares to Brilliant Wise Holdings Limited as part of consideration to acquire EDC Holding.

Preferred Shares

Series A Preferred Shares. On January 31, 2007, we issued 63,250,000 Series A preferred shares for an aggregate purchase price of US\$23,000,000, or at US\$0.363636 per share to certain investors, including to SBCVC Fund II, L.P. and International Finance Corporation.

Series B Preferred Shares. On March 18, 2011, we issued 11,550,000 Series B preferred shares for an aggregated purchase price of US\$9,000,000, or at US\$0.77922 per share to certain investors, including SBCVC Fund II-Annex, L.P. and International Finance Corporation.

Series A, B1, B2, B3 and B4 Preferred Shares.* In connection with our acquisition of EDC Holding, we altered our authorized share capital from comprising ordinary shares, Series A and Series B preferred shares, to comprising ordinary shares, Series A, Series B, Series A*, Series B1, Series B2, Series B3 and

Series B4 preferred shares. Accordingly, Series A*, Series B1, Series B2, Series B3 and Series B4 preferred shares were newly added to our previously authorized share capital.

On June 30, 2014, we acquired EDC Holding from its shareholders whereby we issued shares to EDC Holding's shareholders in exchange for their shares in EDC Holding. Pursuant to the terms of the agreement, we issued 199,163,164 shares in exchange for approximately 93% of the shares in EDC Holding which we did not already own. Accordingly, we issued 88,352,558 ordinary shares to Brilliant Wise Holdings Limited, 11,319,764 Series A* preferred shares to SBCVC Company Limited, 2,829,941 Series A* preferred shares to International Finance Corporation, 9,433,137 Series B1 preferred shares to SBCVC Company Limited, 9,433,137 Series B1 preferred shares to SBCVC Venture Capital, 15,093,019 Series B1 preferred shares to International Finance Corporation, 8,539,471 Series B2 preferred shares to International Finance Corporation, 17,078,942 Series B2 preferred shares to SBCVC Company Limited, 14,045,432 Series B3 preferred shares to International Finance Corporation, and 23,037,763 Series B4 preferred shares to SBCVC Fund III L.P.

Series B5 and Series C Preferred Shares. In connection with our issuance of Series C preferred shares, we altered our authorized share capital from comprising ordinary shares, Series A, Series B, Series A*, Series B1, Series B2, Series B3 and Series B4 preferred shares, to comprising ordinary shares, Series A, Series B, Series A*, Series B1, Series B2, Series B3, Series B4, Series B5 and Series C preferred shares. Accordingly, Series B5 and Series C preferred shares were newly added to our previously authorized share capital.

On August 13, 2014, SBCVC Fund III L.P. purchased 18,698,485 of our Series A, Series A* and Series B3 preferred shares from certain of our investors, all of which preferred shares were redesignated as Series B5 preferred shares.

On August 13, 2014, we repurchased 93,811,462 shares from certain of our investors, which include 18,762,292 ordinary shares, 23,533,064 Series A preferred shares, 5,503,899 Series A* preferred shares, 8,413,412 Series B preferred shares, 13,209,358 Series B1 preferred shares, 9,964,954 Series B2 preferred shares, 5,463,340 Series B3 preferred shares and 8,961,143 Series B4 preferred shares for a total consideration of US\$97,237,644.

On August 13, 2014, we issued 238,526,241 Series C preferred shares for an aggregate purchase price of US\$247,237,696, or at US\$1.036522 per share to STT GDC.

On December 22, 2014, International Finance Corporation transferred and sold its equity interests in GDS Holdings Limited in the form of 1,310,083 Series A, 560,105 Series B, 9,222,193 Series B1, 5,217,820 Series B2 and 384,576 Series B3 preferred shares to SBCVC Fund III, L.P. All of the preferred shares so transferred were reclassified and re-designated as 16,694,777 Series B5 preferred shares.

In connection with and subsequent to the issuance of Series C preferred shares, holders of our preferred shares entered into voting agreements and agreements regarding rights of first refusal and co-sale rights. These voting agreements and the rights of first refusal and co-sale rights will terminate upon the closing of this offering.

Prior to the closing of this offering, holders of each series of preferred shares may elect to convert part or all of the preferred shares held by them into our ordinary shares at a 1:1 share conversion ratio. Each preferred share not so converted will automatically convert into our ordinary shares at the 1:1 share conversion ratio immediately prior to the closing of this offering. All preferred shares converted into ordinary shares will be subject to a lock-up period of 180 days after the date of this prospectus.

Note Financing

On December 11, 2012, we issued and sold an aggregate principal amount of US\$10.5 million bonds due 2014, par value US\$10,000 per note, in a private placement to Best Million Group Limited. The bonds

due 2014 had a maturity date of June 10, 2014 and carried interest at 10% per annum. Upon maturity, the carrying amount of the bonds due 2014 was US\$10.5 million and we repaid a portion of the bonds due 2014 amounting to US\$0.7 million. On June 11, 2014, we issued and sold to the same investor in an aggregate principal amount of US\$30.2 million bonds due 2015 of which a portion was to settle the remaining unpaid portion of the bonds due 2014 of US\$9.8 million and unpaid interest payable on the bonds due 2014 of US\$1.6 million.

Prior to June 10, 2015, the holder of bonds due 2015 had the right to exchange the bonds into our ordinary shares in the event of a QIPO or private placement. The price used to determine the number of ordinary shares issued in exchange for the bonds is equal to 70% of the QIPO price or 70% of the share issuance price of the private placement.

In August 2014, we conducted a private placement of 238,526,241 Series C redeemable preferred shares, or Series C preferred shares. Upon the issuance of Series C preferred shares, the holder of the bonds due 2015 exchanged outstanding principal amount of the bonds due 2015 of US\$27.9 million for 38,397,655 ordinary shares. The number of ordinary shares issued was based on US\$0.72557, or 70% of the issuance price of Series C preferred shares of US\$1.036522. The holder waived its right to exchange the remaining bonds due 2015 of US\$2.3 million for ordinary shares of the Company.

On June 10, 2015, we fully redeemed the remaining bonds due 2015 of US\$2.3 million upon maturity.

Convertible Bonds

On December 30, 2015 and January 29, 2016, we issued and sold convertible and redeemable bonds due 2019 in aggregate principal amount of US\$150.0 million, which bonds were subscribed by Ping An Insurance and STT GDC as to US\$100.0 million and US\$50.0 million, respectively. We may, at our option, require STT GDC to subscribe for an additional amount of these bonds as to US\$50.0 million, and thereafter, Ping An Insurance to subscribe for an additional amount of these bonds as to US\$50.0 million, at any time within the nine month period following the date of issue, or until September 30, 2016. Under the terms of the bonds, Ping An Insurance is entitled to appoint one observer to attend meetings of our board of directors.

The bonds are repayable four years from the date of issue, i.e. on December 30, 2019, and may be converted at a set conversion price of US\$1.68 per share (subject to adjustments arising from any share consolidation, sub-division or distributions by way of shares) at any time between the date on which this offering is completed and December 30, 2019. Any share issued pursuant to the conversion of these bonds by a holder who is not our existing shareholder within twelve months after the closing of this offering will be subject to a lock-up period expiring on the first anniversary of this offering's closing date. We also may mandate each of Ping An Insurance and STT GDC to convert their bonds into shares if the average per-ordinary-share-equivalent closing trading price of our ADSs in any period of ten (10) consecutive trading days following the offering is a least 125% of US\$1.68.

The bonds bear two types of interest on the principal amount, (i) interest payable in cash semi-annually at a rate of 5% per annum, and (ii) interest accruing semi-annually at a rate of 5% per annum. Such accrued interest is (i) in the case of cash redemption, payable in cash on December 30, 2019, and (ii) in the case of conversion, capitalized and paid in shares upon conversion of the bonds.

We plan to use the proceeds of the bonds for data center development, repayment of indebtedness, and to fund our working capital. As security for the bonds, we pledged our entire equity interest in the registered capital of EDC China Holdings Limited, a limited company incorporated in Hong Kong, which is wholly owned by EDC Holding.

Members (Shareholders) Agreement and Voting Agreement

Pursuant to our amended members agreement entered into on May 19, 2016, we granted the holders of our registrable securities certain preferential rights, including registration rights, information and inspection rights, drag-along rights and pre-emptive rights. The amended members agreement also provides that our board of directors consists of nine directors, including (i) four directors appointed by STT GDC, (ii) two directors appointed by holders of 75% of our then outstanding preferred shares other than the Series C preferred shares, such holders voting together as a separate class on an as-converted basis, and (iii) three directors appointed by holders of a majority of our then outstanding ordinary shares, such holders voting as a separate class. The board composition arrangements under the amended members agreement will terminate immediately prior to the effectiveness of this registration statement. In addition, pursuant to our amended voting agreement entered into on May 19, 2016, the holders of our registrable securities have agreed to exercise voting rights so as to maintain the composition of the board of directors as set forth in the amended members agreement and described above. The amended voting agreement will terminate on the date of the closing of this offering.

The drag-along rights will terminate effective upon the closing of this offering. The pre-emptive rights will terminate immediately prior to the closing of this offering. The information and inspection rights will terminate immediately prior to the date on which we are required to file our first annual report with the SEC.

Registration Rights

Pursuant to our amended members agreement, we have also granted certain registration rights to holders of our registrable securities, which include our preferred shares and ordinary shares converted from preferred shares, for a period of up to five years from the closing of the offering. Set forth below is a description of the registration rights under the amended members agreement.

Demand Registration Rights

Under the terms of the amended members agreement dated May 19, 2016, among us and our existing shareholders, certain holders of our registrable securities, at any time from after the earlier of (i) six months after this offering and (ii) three years after August 13, 2014, until the date that is five years after the closing of this offering, have the right to demand that we file a registration statement under the Securities Act covering the registration of all or part of their registrable securities. We, however, are not obligated to effect a demand registration if, among other things, we have already effected two demand registrations. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determine in good faith that filing of a registration will be materially detrimental to us, but we cannot exercise the deferral right more than once in any twelve-month period.

Piggyback Registration Rights

If we propose to file a registration statement in connection with a public offering of securities of our company other than relating to an employee incentive plan, corporate reorganization, demand registration or Form S-3/F-3 registration then we must offer each holder of the registrable securities the opportunity to include their shares in the registration statement. Such requests for registrations are not counted as demand registrations.

Form S-3/F-3 Registration Rights

When eligible for use of form S-3/F-3, holders of our registrable securities then outstanding may request in writing that we effect a registration on Form S-3/F-3 so long, among other things, the gross proceeds of the securities to be sold under the registration statement exceeds US\$1 million. We, however, are not obligated to effect a registration on Form S-3/F-3 if, among other things, we have already effected

a registration within any six-month period preceding the date of the registration request. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determine in good faith that filing of a registration will be materially detrimental to us, but we cannot exercise the deferral right more than once in any twelve-month period.

Registration pursuant to Form S-3/F-3 registration rights is not deemed to be a demand registration, and there is no limit on the number of times the holders may exercise their Form S-3/F-3 registration rights.

Expenses of Registration

We will pay all expenses incurred by us relating to any demand, piggyback or Form S-3/F-3 registration, except that the requesting holders shall bear the expense of any underwriting discounts and selling commissions relating to the offering of their securities. We will not be required to pay for any expenses of any registration proceeding begun pursuant to demand registration rights, unless subject to certain exception, if the registration request is subsequently withdrawn at the request of a majority of the holders of the registrable securities to be registered.

Differences in Corporate Law

The Companies Law is modeled after that of England and Wales but does not follow recent statutory enactments in England. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and Similar Arrangements

A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by a special resolution of the members of each constituent company.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders. For this purpose a subsidiary is a company of which at least ninety percent (90%) of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissenting shareholder of a Cayman constituent company is entitled to payment of the fair value of his or her shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors (representing 75% by value) with whom the arrangement is to be made, and who must, in addition, represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;

- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the offer or may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' Suits

In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or *ultra vires*;
- the act complained of, although not *ultra vires*, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Indemnification of Directors and Executive Officers and Limitation of Liability

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud which may attach to such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and senior executive officers that will provide such persons with additional indemnification beyond that provided in our memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that, in the opinion of the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Anti-Takeover Provisions in the Memorandum and Articles of Association

Some provisions of our memorandum and articles of association may discourage, delay or prevent a change in control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

However, under Cayman Islands law, our directors may only exercise the rights and powers granted to them under our memorandum and articles of association, as amended and restated from time to time, for what they believe in good faith to be in the best interests of our company.

Directors' Fiduciary Duties

Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director act in a manner he or she reasonably believes to be in the best interests of the corporation. He or she must not use his or her corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, a director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him to do so) and a duty not to put himself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder Action by Written Consent

Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder Proposals

Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing

documents. The Delaware General Corporation Law does not provide shareholders an express right to put any proposal before the annual meeting of shareholders, but in keeping with common law, Delaware corporations generally afford shareholders an opportunity to make proposals and nominations provided that they comply with the notice provisions in the certificate of incorporation or bylaws. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Neither Cayman Islands law nor our articles of association allow our shareholders to requisition a shareholders' meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings. However, our articles of association require us to call such meetings every year.

Cumulative Voting

Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholder's voting power with respect to electing such director. As permitted under Cayman Islands law, our articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of Directors

Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our articles of association, directors may be removed by ordinary resolution.

Transactions with Interested Shareholders

The Delaware General Corporation Law contains a business combination statute applicable to Delaware public corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation or bylaws that is approved by its shareholders, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting stock or who or which is an affiliate or associate of the corporation and owned 15% or more of the corporation's outstanding voting stock within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and for a proper corporate purpose and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; Winding Up

Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so.

Under the Companies Law of the Cayman Islands and our articles of association, our company may be dissolved, liquidated or wound up by the vote of holders of two-thirds of our shares voting at a meeting or the unanimous written resolution of all shareholders.

Variation of Rights of Shares

Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class only with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Amendment of Governing Documents

Under the Delaware General Corporation Law, a corporation's certificate of incorporation may be amended only if adopted and declared advisable by the board of directors and approved by a majority of the outstanding shares entitled to vote, and the bylaws may be amended with the approval of a majority of the outstanding shares entitled to vote and may, if so provided in the certificate of incorporation, also be amended by the board of directors. As permitted by Cayman Islands law, our memorandum and articles of association may only be amended by special resolution or the unanimous written resolution of all shareholders.

Rights of Non-Resident or Foreign Shareholders

There are no limitations imposed by our memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

Directors' Power to Issue Shares

Subject to applicable law, our board of directors is empowered to issue or allot shares or grant options and warrants with or without preferred, deferred, qualified or other special rights or restrictions.

Inspection of Books and Records

Holders of our ordinary shares will have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find More Information."

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

, as depositary, will register and deliver the ADSs. Each ADS will represent an ownership interest in ordinary shares deposited with, as custodian for the depositary. Each ADS will also represent an ownership interest in any other securities, cash or other property which may be held by the depositary. The depositary's corporate trust office at which the ADSs will be administered is located at . The principal executive office of the depositary is located at .

The Direct Registration System, or DRS, is a system administered by The Depository Trust Company, or DTC, pursuant to which the depositary may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depositary to the ADS holders entitled thereto.

We will not treat ADS holders as our shareholders and accordingly, you, as an ADS holder, will not have a shareholder's rights. Cayman Islands law governs shareholders' rights. The depositary will be the holder of the ordinary shares underlying your ADSs. As a holder of ADSs, you will have an ADS holder's rights. A deposit agreement among us, the depositary and you, as an ADS holder, and the beneficial owners of ADSs sets out ADS holders' rights as well as the rights and obligations of the depositary. The laws of the State of New York govern the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of American Depositary Receipt. For directions on how to obtain copies of those documents, see "Where You Can Find More Information."

Holding the ADSs

How will you hold your ADSs?

You may hold ADSs either (1) directly (a) by having an American Depositary Receipt, or ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (b) by holding ADSs in the DRS, or (2) indirectly through your broker or other financial institution. If you hold ADSs directly, you are an ADS holder. This description assumes you hold your ADSs directly. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities, after deducting its fees and expenses. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent as of the record date (which will be as close as practicable to the record date for our ordinary shares) set by the depositary with respect to the ADSs.

- **Cash.** The depositary will convert any cash dividend or other cash distribution we pay on the ordinary shares or any net proceeds from the sale of any ordinary shares, rights, securities or other entitlements into U.S. dollars if it can do so on a reasonable basis, and can transfer the U.S. dollars to the United States. If that is not possible or lawful or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

- Before making a distribution, any taxes or other governmental charges, together with fees and expenses of the depositary, that must be paid, will be deducted. See "Taxation." It will distribute only whole U.S. dollars and cents and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some or all of the value of the distribution.*
- **Shares.** The depositary may, upon our timely instruction, distribute additional ADSs representing any ordinary shares we distribute as a dividend or free distribution to the extent reasonably practicable and permissible under law. The depositary will only distribute whole ADSs. It will try to sell ordinary shares which would require it to deliver a fractional ADS and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new ordinary shares. The depositary may sell a portion of the distributed ordinary shares sufficient to pay its fees and expenses in connection with that distribution.
- **Elective Distributions in Cash or Shares.** If we offer holders of our ordinary shares the option to receive dividends in either cash or shares, the depositary, after consultation with us and having received timely notice of such elective distribution by us, has discretion to determine to what extent such elective distribution will be made available to you as a holder of the ADSs. We must first instruct the depositary to make such elective distribution available to you and furnish it with satisfactory evidence that it is legal to do so. The depositary could decide it is not legal or reasonably practical to make such elective distribution available to you, or it could decide that it is only legal or reasonably practical to make such elective distribution available to some but not all holders of the ADSs. In such case, the depositary shall, on the basis of the same determination as is made in respect of the ordinary shares for which no election is made, distribute either cash in the same way as it does in a cash distribution, or additional ADSs representing ordinary shares in the same way as it does in a share distribution. The depositary is not obligated to make available to you a method to receive the elective dividend in shares rather than in ADSs. There can be no assurance that you will be given the opportunity to receive elective distributions on the same terms and conditions as the holders of ordinary shares.

- **Rights to Purchase Additional Shares.** If we offer holders of our ordinary shares any rights to subscribe for additional shares or any other rights, the depositary may after consultation with us and having received timely notice of such distribution by us, make these rights available to you. We must first instruct the depositary to make such rights available to you and furnish the depositary with satisfactory evidence that it is legal to do so. If the depositary decides it is not legal and practical to make the rights available but that it is practical to sell the rights, the depositary will use reasonable efforts to sell the rights and distribute the net proceeds in the same way as it does with cash. The depositary will allow rights that are not distributed or sold to lapse. In that case, you will receive no value for them.

If the depositary makes rights available to you, it will exercise the rights and purchase the shares on your behalf. The depositary will then deposit the shares and deliver ADSs to you. It will only exercise rights if you pay it the exercise price and any other charges the rights require you to pay.

U.S. securities laws may restrict transfers and cancellation of the ADSs represented by shares purchased upon exercise of rights. For example, you may not be able to trade these ADSs freely in the United States. In this case, the depositary may deliver restricted depositary shares that have the same terms as the ADSs described in this section except for changes needed to put the necessary restrictions in place.

- **Other Distributions.** Subject to receipt of timely notice from us with the request to make any such distribution available to you, and provided the depositary has determined such distribution is lawful and reasonably practicable and feasible and in accordance with the terms of the deposit agreement,

the depositary will send to you anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice: it may decide to sell what we distributed and distribute the net proceeds in the same way as it does with cash; or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to you unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposit ordinary shares or evidence of rights to receive ordinary shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons entitled thereto.

Except for ordinary shares deposited by us in connection with this offering, no shares will be accepted for deposit during a period of 180 days after the date of this prospectus. The 180-day lock-up period is subject to adjustment under certain circumstances as described in the section entitled "Shares Eligible for Future Sale—Lock-up Agreements."

How do ADS holders cancel an American Depositary Share?

You may turn in your ADSs at the depositary's corporate trust office or by providing appropriate instructions to your broker. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the ordinary shares and any other deposited securities underlying the ADSs to you or a person you designate at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its corporate trust office, if feasible.

How do ADS holders interchange between Certificated ADSs and Uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send you a statement confirming that you are the owner of uncertificated ADSs. Alternatively, upon receipt by the depositary of a proper instruction from a holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to you an ADR evidencing those ADSs.

Voting Rights

How do you vote?

You may instruct the depositary to vote the deposited securities. Otherwise, you won't be able to exercise your right to vote unless you withdraw the ordinary shares your ADSs represent. However, you may not know about the meeting enough in advance to withdraw the ordinary shares.

If we ask for your instructions and upon timely notice from us, the depositary will notify you of the upcoming vote and arrange to deliver our voting materials to you. The materials will (1) describe the matters to be voted on and (2) explain how you may instruct the depositary to vote the ordinary shares or other deposited securities underlying your ADSs as you direct, including an express indication that such instruction may be given or deemed given in accordance with the second to last sentence of this paragraph if no instruction is received, to the depositary to give a discretionary proxy to a person designated by us. For instructions to be valid, the depositary must receive them on or before the date specified. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our constitutive documents, to vote or to have its agents vote the ordinary shares or other deposited securities as you instruct. The depositary will only vote or attempt to vote as you instruct. If we timely requested the depositary to solicit your instructions but no instructions are received by the depositary from an owner with respect to any of the deposited securities represented by the ADSs of that owner on or before the date established by the depositary for such purpose, the depositary shall deem that owner to have instructed the depositary to give a discretionary proxy to a person designated by us with respect to such deposited securities, and the depositary shall give a discretionary proxy to a person designated by us to vote such deposited securities. However, no such instruction shall be deemed given and no such discretionary proxy shall be given with respect to any matter if we inform the depositary we do not wish such proxy given, substantial opposition exists or the matter materially and adversely affects the rights of holders of the ordinary shares.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the ordinary shares underlying your ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise your right to vote and there may be nothing you can do if the ordinary shares underlying your ADSs are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to deposited securities, if we request the depositary to act, we will try to give the depositary notice of any such meeting and details concerning the matters to be voted upon sufficiently in advance of the meeting date.

Fees and Expenses

<u>Persons Depositing or Withdrawing Shares Must Pay:</u>	<u>For:</u>
\$0.05 (or less) per ADS	Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property
	Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
\$0.05 (or less) per ADS	Any distribution of cash proceeds to you
A fee equivalent to the fee that would be payable if securities distributed to you had been ordinary shares and the ordinary shares had been deposited for issuance of ADSs	Distribution of securities distributed to holders of deposited securities which are distributed by the depositary to ADS holders
\$0.05 (or less) per ADS per calendar year	Depositary services
Registration or transfer fees	Transfer and registration of ordinary shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw ordinary shares
Expenses of the depositary	Cable, telex and facsimile transmissions (when expressly provided in the deposit agreement)
	Converting foreign currency to U.S. dollars
Taxes and other governmental charges the depositary or the custodian has to pay on any ADS or share underlying an ADS, including any applicable interest and penalties thereon and any share transfer or other taxes on governmental charges, for example, stock transfer taxes, stamp duty or withholding taxes	As necessary
Any charges incurred by the depositary or its agents for servicing the deposited securities	As necessary

, as depositary, has agreed to reimburse us for a portion of certain expenses we incur that are related to establishment and maintenance of the ADR program, including investor relations expenses. There are limits on the amount of expenses for which the depositary will reimburse us, but the amount of reimbursement available to us is not related to the amounts of fees the depositary collects from investors. Further, the depositary has agreed to reimburse us certain fees payable to the depositary by holders of ADSs. Neither the depositary nor we can determine the exact amount to be made available to us because (i) the number of ADSs that will be issued and outstanding, (ii) the level of service fees to be charged to holders of ADSs and (iii) our reimbursable expenses related to the program are not known at this 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 may generally refuse to provide fee-attracting services until its fees for those services are paid.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until such taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to you any net proceeds, or send to you any property, remaining after it has paid the taxes. You agree to indemnify us, the depositary, the custodian and each of our and their respective agents, directors, employees and affiliates for, and hold each of them harmless from, any claims with respect to taxes (including applicable interest and penalties thereon) arising from any tax benefit obtained for you.

Reclassifications, Recapitalizations and Mergers

If we:	Then:
Change the nominal or par value of our ordinary shares	The cash, shares or other securities received by the depositary will become deposited securities
Reclassify, split up or consolidate any of the deposited securities	Each ADS will automatically represent its equal share of the new deposited securities
Distribute securities on the ordinary shares that are not distributed to you or Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	The depositary may distribute some or all of the cash, shares or other securities it received. It may also deliver new ADSs or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the form of ADR without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, including expenses incurred in connection with foreign exchange control regulations and other charges specifically payable by ADS holders under the deposit agreement, or materially prejudices a substantial existing right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.

How may the deposit agreement be terminated?

The depositary will terminate the deposit agreement if we ask it to do so, in which case the depositary will give notice to you at least 90 days prior to termination. The depositary may also terminate the deposit agreement if the depositary has told us that it would like to resign and we have not appointed a new depositary within 90 days. In such case, the depositary must notify you at least 30 days before termination.

After termination, the depositary and its agents will do the following under the deposit agreement but nothing else: collect distributions on the deposited securities, sell rights and other property and deliver ordinary shares and other deposited securities upon cancellation of ADSs after payment of any fees, charges, taxes or other governmental charges. Six months or more after termination, the depositary may

sell any remaining deposited securities by public or private sale. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. It will not invest the money and has no liability for interest. The depositary's only obligations will be to account for the money and other cash. After termination, our only obligations will be to indemnify the depositary and to pay fees and expenses of the depositary that we agreed to pay.

Books of Depositary

The depositary will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary will maintain facilities in New York to record and process the issuance, cancellation, combination, split-up and transfer of ADRs.

These facilities may be closed from time to time, to the extent not prohibited by law or if any such action is deemed necessary or advisable by the depositary or us, in good faith, at any time or from time to time because of any requirement of law, any government or governmental body or commission or any securities exchange on which the ADRs or ADSs are listed, or under any provision of the deposit agreement or provisions of, or governing, the deposited securities, or any meeting of our shareholders or for any other reason.

Limitations on Obligations and Liability

Limits on our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without gross negligence or willful misconduct;
- are not liable if either of us is prevented or delayed by law or circumstances beyond our control from performing our obligations under the deposit agreement, including, without limitation, requirements of any present or future law, regulation, governmental or regulatory authority or share exchange of any applicable jurisdiction, any present or future provisions of our memorandum and articles of association, on account of possible civil or criminal penalties or restraint, any provisions of or governing the deposited securities or any act of God, war or other circumstances beyond our control as set forth in the deposit agreement;
- are not liable if either of us exercises, or fails to exercise, discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any indirect, special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other party;
- may rely upon any documents we believe in good faith to be genuine and to have been signed or presented by the proper party;
- disclaim any liability for any action/inaction in reliance on the advice or information of legal counsel, accountants, any person presenting ordinary shares for deposit, holders and beneficial owners

(or authorized representatives) of ADSs, or any person believed in good faith to be competent to give such advice or information;

- disclaim any liability for inability of any holder to benefit from any distribution, offering, right or other benefit made available to holders of deposited securities but not made available to holders of ADSs; and
- disclaim any liability for any indirect, special, punitive or consequential damages.

The depositary and any of its agents also disclaim any liability for any failure to carry out any instructions to vote, the manner in which any vote is cast or the effect of any vote or failure to determine that any distribution or action may be lawful or reasonably practicable or for allowing any rights to lapse in accordance with the provisions of the deposit agreement, the failure or timeliness of any notice from us, the content of any information submitted to it by us for distribution to you or for any inaccuracy of any translation thereof, any investment risk associated with the acquisition of an interest in the deposited securities, the validity or worth of the deposited securities, the creditworthiness of any third party, or for any tax consequences that may result from ownership of ADSs, ordinary shares or deposited securities.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will issue, deliver or register a transfer of an ADS, make a distribution on an ADS, or permit withdrawal of ordinary shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any ordinary shares or other deposited securities and payment of the applicable fees, expenses and charges of the depositary;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to issue and deliver ADSs or register transfers of ADSs generally when the register of the depositary or our transfer books are closed or at any time if the depositary or we think it is necessary or advisable to do so.

Your Right to Receive the Shares Underlying Your ADSs

- You have the right to cancel your ADSs and withdraw the underlying ordinary shares at any time except:
- when temporary delays arise because: (1) the depositary has closed its transfer books or we have closed our transfer books; (2) the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting; or (3) we are paying a dividend on our ordinary shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Pre-release of ADSs

The deposit agreement permits the depository to deliver ADSs before deposit of the underlying ordinary shares. This is called a pre-release of the ADSs. The depository may also deliver ordinary shares upon cancellation of pre-released ADSs (even if the ADSs are cancelled before the pre-release transaction has been closed out). A pre-release is closed out as soon as the underlying ordinary shares are delivered to the depository. The depository may receive ADSs instead of ordinary shares to close out a pre-release. The depository may pre-release ADSs only under the following conditions: (1) before or at the time of the pre-release, the person to whom the pre-release is being made represents to the depository in writing that it or its customer (a) owns the ordinary shares or ADSs to be deposited, (b) assigns all beneficial rights, title and interest in such ordinary shares or ADSs to the depository for the benefit of the owners, (c) will not take any action with respect to such ordinary shares or ADSs that is inconsistent with the transfer of beneficial ownership, (d) indicates the depository as owner of such ordinary shares or ADSs in its records and (e) unconditionally guarantees to deliver such ordinary shares or ADSs to the depository or the custodian, as the case may be; (2) the pre-release is fully collateralized with cash or other collateral that the depository considers appropriate; and (3) the depository must be able to close out the pre-release on not more than five business days' notice. Each pre-release is subject to further indemnities and credit regulations as the depository considers appropriate. In addition, the depository will limit the number of ADSs that may be outstanding at any time as a result of pre-release, although the depository may disregard the limit from time to time, if it thinks it is appropriate to do so, including (1) due to a decrease in the aggregate number of ADSs outstanding that causes existing pre-release transactions to temporarily exceed the limit stated above or (2) where otherwise required by market conditions.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the DRS and Profile Modification System, or Profile, will apply to uncertificated ADSs upon acceptance thereof to DRS by DTC. DRS is the system administered by DTC pursuant to which the depository may register the ownership of uncertificated ADSs, which ownership shall be evidenced by periodic statements issued by the depository to the ADS holders entitled thereto. Profile is a required feature of DRS which allows a DTC participant, claiming to act on behalf of an ADS holder, to direct the depository to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depository of prior authorization from the ADS holder to register such transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/ Profile, the parties to the deposit agreement understand that the depository will not verify, determine or otherwise ascertain that the DTC participant which is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depository's reliance on, and compliance with, instructions received by the depository through the DRS/Profile System and in accordance with the deposit agreement, shall not constitute negligence or bad faith on the part of the depository.

SHARES ELIGIBLE FOR FUTURE SALE

Upon closing of this offering, we will have ADSs outstanding representing approximately % of our ordinary shares (or ADS outstanding representing approximately % of our ordinary shares if the underwriters exercise in full the over-allotment option). In addition, options to purchase an aggregate of approximately ordinary shares will be outstanding as of the closing of this offering. Of these options, will have vested at or prior to the closing of this offering and approximately will vest over the next years. Furthermore, we have outstanding convertible bonds in the aggregate principal amount of US\$150.0 million due December 30, 2019. We may, at our option, require the original subscribers, STT GDC to subscribe for an additional amount of these bonds as to US\$50.0 million, and thereafter, Ping An Insurance to subscribe for an additional amount of these bonds as to US\$50.0 million, at any time until September 30, 2016. In addition, following this offering, we may require the conversion of the bonds assuming the average per-ordinary-share-equivalent closing trading price of our ADSs in any period of ten (10) consecutive trading days following this offering is at least 125% of US\$1.68 and we exercise our right to cause STT GDC and Ping An Insurance to convert the bonds. If the bondholders elect to convert, or we cause the bondholders to convert, their bonds, up to approximately ordinary shares will be issued. The conversion of the bonds would result in substantial dilution of our ADSs and ordinary shares and a decline in their market price. There can be no certainty as to whether the bondholders will elect to convert, or if we will be entitled to cause the bondholders to convert, their bonds at the time of or after the completion of this offering. The holders of the convertible bonds have agreed with us that they shall not, without our prior written approval, sell, transfer or dispose of any of the convertible bonds. In addition, any share issued upon conversion of the convertible bonds by a holder who is not our existing shareholder, so converted within the 12 months following the completion of this offering will be subject to a lock-up period expiring on the first anniversary of the closing of this offering.

All of the ADSs sold in this offering and the ordinary shares they represent will be freely transferable by persons other than our "affiliates" without restriction or further registration under the Securities Act. Rule 144 of the Securities Act defines an "affiliate" of a company as a person that, directly or indirectly, through one or more intermediaries, controls or is controlled by, or is under common control with, our company. All outstanding ordinary shares prior to this offering are "restricted securities" as that term is defined in Rule 144 because they were issued in a transaction or series of transactions not involving a public offering. Restricted securities, in the form of ADSs or otherwise, may be sold only if they are the subject of an effective registration statement under the Securities Act or if they are sold pursuant to an exemption from the registration requirement of the Securities Act such as those provided for in Rules 144 or 701 promulgated under the Securities Act, which rules are summarized below. Restricted ordinary shares may also be sold outside of the United States to non-U.S. persons in accordance with Rule 904 of Regulation S under the Act. This prospectus may not be used in connection with any resale of our ADSs acquired in this offering by our affiliates.

Pursuant to Rule 144, ordinary shares will be eligible for sale at various times after the date of this prospectus, subject to the lock-up agreements.

Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. Prior to this offering, there has been no public market for our ordinary shares or ADSs, and while our application has been made to list our ADSs on the [NYSE]/[NASDAQ], we cannot assure you that a regular trading market will develop in the ADSs. We do not expect that a trading market will develop for our ordinary shares not represented by ADSs.

[Lock-up Agreements

We, our directors, executive officers, our existing shareholders, and purchasers of ADSs under the directed ADS program have agreed, subject to some exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our ordinary shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our ordinary shares, in the form of ADSs or otherwise, for a period of

180 days after the date this prospectus becomes effective. After the expiration of the 180-day period, the ordinary shares or ADSs held by our directors, executive officers or existing shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.]

Rule 144

In general, under Rule 144 as currently in effect, a person who has beneficially owned our restricted securities for at least six months is entitled to sell the restricted securities without registration under the Securities Act, subject to certain restrictions. Persons who are our affiliates (including persons beneficially owning 10% or more of our outstanding shares) may sell within any three-month period a number of restricted securities that does not exceed the greater of the following:

- 1% of the number of our ordinary shares then outstanding, in the form of ADSs or otherwise, which will equal approximately ordinary shares immediately after this offering; and
- the average weekly trading volume of our ADSs on the [NYSE]/[NASDAQ] during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Such sales are also subject to manner-of-sale provisions, notice requirements and the availability of current public information about us. The manner-of-sale provisions require the securities to be sold either in "brokers' transactions" as such term is defined under the Securities Act, through transactions directly with a market maker as such term is defined under the Exchange Act or through a riskless principal transaction as described in Rule 144. In addition, the manner-of-sale provisions require the person selling the securities not to solicit or arrange for the solicitation of orders to buy the securities in anticipation of or in connection with such transaction or make any payment in connection with the offer or sale of the securities to any person other than the broker or dealer who executes the order to sell the securities. If the amount of securities to be sold in reliance upon Rule 144 during any period of three months exceeds 5,000 shares or other units or has an aggregate sale price in excess of US\$50,000, three copies of a notice on Form 144 should be filed with the SEC. If such securities are admitted to trading on any national securities exchange, one copy of such notice also must be transmitted to the principal exchange on which such securities are admitted. The Form 144 should be signed by the person for whose account the securities are to be sold and should be transmitted for filing concurrently with either the placing with a broker of an order to execute a sale of securities or the execution directly with a market maker of such a sale.

Persons who are not our affiliates and have beneficially owned our restricted securities for more than six months but not more than one year may sell the restricted securities without registration under the Securities Act subject to the availability of current public information about us. Persons who are not our affiliates and have beneficially owned our restricted securities for more than one year may freely sell the restricted securities without registration under the Securities Act.

Rule 701

Beginning 90 days after the date of this prospectus, persons other than affiliates who purchased ordinary shares under a written compensatory plan or contract may be entitled to sell such shares in the United States in reliance on Rule 701 under the Securities Act, or Rule 701. Rule 701 permits affiliates to sell their Rule 701 shares under Rule 144 without complying with the holding period requirements of Rule 144. Rule 701 further provides that non-affiliates may sell these shares in reliance on Rule 144 subject only to its manner-of-sale requirements. However, the Rule 701 shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

Registration Rights

Upon closing of this offering, the holders of _____ of our ordinary shares or their transferees (or the holders of _____ of our ordinary shares or their transferees if the underwriters exercise in full the over-allotment option) will be entitled to request that we register their ordinary shares under the Securities Act, following the expiration of the lock-up agreements described above. See "Description of Share Capital—Members (Shareholders) Agreement and Voting Agreement—Registration Rights."

TAXATION

The following is a general summary of the material Cayman Islands, People's Republic of China and United States federal income tax consequences relevant to an investment in our ADSs and ordinary shares. To the extent that the discussion below relates to matters of Cayman Islands tax law, it is the opinion of Conyers Dill & Pearman, our Cayman Islands counsel. To the extent that the discussion below relates to matters of PRC tax law, it is the opinion of King & Wood Mallesons, our PRC counsel. To the extent that the discussion below relates to matters of United States federal income tax law, it is the opinion of Simpson Thacher & Bartlett LLP, our United States counsel. The discussion is not intended to be, nor should it be construed as, legal or tax advice to any particular prospective purchaser. The discussion is based on laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change or different interpretations, possibly with retroactive effect. The discussion does not address U.S. state or local tax laws, or tax laws of jurisdictions other than the Cayman Islands, the People's Republic of China and the United States. You should consult your own tax advisors with respect to the consequences of acquisition, ownership and disposition of our ADSs and ordinary shares.

Cayman Islands Taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty or withholding tax applicable to us or to any holder of our ADSs and ordinary shares. There are no other taxes likely to be material to us levied by the Government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands. The Cayman Islands is a party to a double tax treaty entered with the United Kingdom in 2010 but is otherwise not party to any double tax treaties. There are no exchange control regulations or currency restrictions in the Cayman Islands.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, we have obtained an undertaking from the Governor-in-Council:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to us or our operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on our shares, debentures or other obligations.

The undertaking for us is for a period of twenty years from June 8, 2004.

People's Republic of China Taxation

In March 2007, the National People's Congress of China enacted the Enterprise Income Tax Law, which became effective on January 1, 2008. The Enterprise Income Tax Law provides that enterprises organized under the laws of jurisdictions outside China with their "de facto management bodies" located within China may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. The Implementing Rules of the Enterprise Income Tax Law further defines the term "de facto management body" as the management body that exercises substantial and overall management and control over the business, personnel, accounts and properties of an enterprise. While we do not currently consider our company or any of our overseas subsidiaries to be a PRC resident enterprise, there is a risk that the PRC tax authorities may deem our company or any of our overseas subsidiaries as a PRC resident enterprise since a substantial majority of the members of our management team as well as the management team of some of our overseas subsidiaries are located in China, in which case we or the overseas subsidiaries, as the case may be, would be subject to the PRC enterprise income tax at the rate of 25% on worldwide income. If the PRC tax authorities determine that our Cayman Islands

holding company is a "resident enterprise" for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. One example is a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders and with respect to gains derived by our non-PRC enterprise shareholders from transferring our shares or ADSs. It is unclear whether, if we are considered a PRC resident enterprise, holders of our shares or ADSs would be able to claim the benefit of income tax treaties or agreements entered into between China and other countries or areas.

Material United States Federal Income Tax Considerations

The following summary describes the material United States federal income tax consequences of the purchase, ownership and disposition of our ADSs and ordinary shares as of the date hereof. This summary is only applicable to ADSs and ordinary shares held as capital assets by a United States Holder (as defined below).

As used herein, the term "United States Holder" means a beneficial owner of our ADSs or ordinary shares 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 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.

The discussion below is based upon the provisions of the Internal Revenue Code of 1986, as amended, or the Code, and regulations, rulings and judicial decisions thereunder as of the date hereof, and such authorities may be replaced, revoked or modified so as to result in United States federal income tax consequences different from those discussed below. In addition, this summary is based, in part, upon representations made by the depository to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

This summary does not represent a detailed description of the United States federal income tax consequences applicable to you if you are subject to special treatment under the United States federal income tax laws, including if you are:

- a dealer in securities or currencies;
- a financial institution;
- a regulated investment company;
- a real estate investment trust;
- an insurance company;
- a tax-exempt organization;
- a person holding our ADSs or ordinary shares 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 liable for alternative minimum tax;
- a person who owns or is deemed to own 10% or more of our voting stock;
- a partnership or other pass-through entity for United States federal income tax purposes; or
- a person whose "functional currency" is not the United States dollar.

If a partnership (or other entity treated as a partnership for United States federal income tax purposes) holds our ADSs or ordinary shares, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership. If you are a partner of a partnership holding our ADSs or ordinary shares, you should consult your tax advisors.

This summary does not contain a detailed description of all the United States federal income tax consequences to you in light of your particular circumstances and does not address the Medicare tax on net investment income or the effects of any state, local or non-United States tax laws. If you are considering the purchase, ownership or disposition of our ADSs or ordinary shares, 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" below, the gross amount of any 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. Such income (including withheld taxes) will be includable 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 depository, in the case of ADSs. Such dividends will not be eligible for the dividends received deduction allowed to corporations under the Code.

With respect to non-corporate United States Holders, certain dividends received from a qualified foreign corporation may be subject to reduced rates of taxation. A foreign corporation is treated as a qualified foreign corporation with respect to dividends received from that corporation on ordinary shares (or ADSs backed by such shares) that are readily tradable on an established securities market in the United States. We will apply to list the ADSs on the [NYSE]/[NASDAQ]. Provided that the listing is approved, United States Treasury Department guidance indicates that our ADSs will be readily tradable on an established securities market in the United States. Thus, subject to the discussion under "—Passive Foreign Investment Company" below, we believe that dividends we pay on our ADSs will meet the conditions required for the reduced tax rate. Since we do not expect that our ordinary shares will be listed on an established securities market, we do not believe that dividends that we pay on our ordinary shares that are not represented by ADSs will meet the conditions required for these reduced tax rates. There also can be no assurance that our ADSs will continue to be readily tradable on an established securities market in later years. Consequently, there can be no assurance that our ADSs will continue to be afforded the reduced tax rates. A qualified foreign corporation also includes a foreign corporation that is eligible for the benefits of certain income tax treaties with the United States. In the event that we are deemed to be a PRC resident enterprise under the PRC tax law (see "Taxation—People's Republic of China Taxation" above), we may be eligible for the benefits of the income tax treaty between the United States and the PRC, or the Treaty. In

that case, dividends we pay on our ordinary shares would be eligible for the reduced rates of taxation whether or not the shares are readily tradable on an established securities market in the United States, and whether or not the shares are represented by ADSs. Non-corporate United States Holders that do not meet a minimum holding period requirement during which they are not protected from the risk of loss or that elect to treat the dividend income as "investment income" pursuant to Section 163(d)(4) of the Code will not be eligible for the reduced rates of taxation regardless of our status as a qualified foreign corporation. In addition, the rate reduction will not apply to dividends if the recipient of a dividend is obligated to make related payments with respect to positions in substantially similar or related property. This disallowance applies even if the minimum holding period has been met. You should consult your own tax advisors regarding the application of these rules given your particular circumstances.

Non-corporate United States Holders will not be eligible for reduced rates of taxation on any dividends received from us if we are a passive foreign investment company, or PFIC, in the taxable year in which such dividends are paid or in the preceding taxable year (see "—Passive Foreign Investment Company" below).

In the event that we are deemed to be a PRC resident enterprise under the PRC tax law, you may be subject to PRC withholding taxes on dividends paid to you with respect to the ADSs or ordinary shares. See "Taxation—People's Republic of China Taxation." In that case, subject to certain conditions and limitations (including a minimum holding period requirement), PRC withholding taxes on dividends may be treated as foreign taxes eligible for credit against your United States federal income tax liability. For purposes of calculating the foreign tax credit, dividends paid on the ADSs or ordinary shares will be treated as foreign-source income and will generally constitute passive category income. The rules governing the foreign tax credit are complex. You are urged to consult your tax advisor regarding the availability of the foreign tax credit under your particular circumstances.

To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits, as determined under United States federal income tax principles, the distribution ordinarily would be treated, first, as a tax-free return of capital, causing a reduction in the adjusted basis of the ADSs or ordinary shares (thereby increasing the amount of gain, or decreasing the amount of loss, to be recognized by you on a subsequent disposition of the ADSs or ordinary shares), and, second, the balance in excess of adjusted basis ordinarily would be taxed as capital gain recognized on a sale or exchange. However, we do not expect to determine our earnings and profits in accordance with United States federal income tax principles. Therefore, you should expect that distributions will generally be reported to the Internal Revenue Service, or IRS, and taxed to you as dividends (as discussed above), even if they might ordinarily be treated as a tax-free return of capital or as capital gain.

Passive Foreign Investment Company

Based on the past and projected composition of our income and assets, and the valuation of our assets, including goodwill, we do not believe we were a PFIC for our taxable year ended December 31, 2015 and we do not expect to be a PFIC for our taxable year ending December 31, 2016 or in future taxable years, although there can be no assurance in this regard, since the determination of our PFIC status cannot be made until the end of a taxable year and depends significantly on the composition of our assets and income throughout the year.

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 (based on 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), as well as gains from the sale of assets (such as stock) that produce passive income, foreign

currency gains, and certain other categories of income. If we own at least 25% (by value) of the stock of another corporation, we will be treated, for purposes of determining whether we are a PFIC, as owning our proportionate share of the other corporation's assets and receiving our proportionate share of the other corporation's income. However, it is not entirely clear how the contractual arrangements between us and our consolidated VIEs will be treated for purposes of the PFIC rules. For United States federal income tax purposes, we consider ourselves to own the stock of our consolidated VIEs. If it is determined, contrary to our view, that we do not own the stock of our consolidated VIEs for United States federal income tax purposes (for instance, because the relevant PRC authorities do not respect these arrangements), that would alter the composition of our income and assets for purposes of testing our PFIC status, and may cause us to be treated as a PFIC.

The determination of whether we are a PFIC is made annually. Accordingly, it is possible that we may become a PFIC in the current or any future taxable year due to changes in our asset or income composition. The calculation of the value of our assets will be based, in part, on the quarterly market value of our ADSs, which is subject to change. The composition of our income and our assets will also be affected by how, and how quickly, we spend the cash raised in this offering. If the cash is not deployed for active purposes, our risk of becoming a PFIC may increase.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares and you do not make a timely mark-to-market election, as described below, you will be subject to special—and generally very unfavourable—tax rules with respect to any "excess distribution" received and any gain realized from a sale or other disposition, including 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.

Although the determination of whether we are a PFIC is made annually, if we are a PFIC for any taxable year in which you hold our ADSs or ordinary shares, you will generally be subject to the special tax rules described above for that year and for each subsequent year in which you hold the ADSs or ordinary shares (even if we do not qualify as a PFIC in any subsequent years). However, if we cease to be a PFIC, you can avoid the continuing impact of the PFIC rules by making a special election to recognize gain as if your ADSs or ordinary shares had been sold on the last day of the last taxable year during which we were a PFIC. You are urged to consult your own tax advisor about this election.

In certain circumstances, in lieu of being subject to the special tax rules discussed above, you may make a mark-to-market election with respect to your ADSs or ordinary shares provided such ADSs or ordinary shares are treated as "marketable stock." The ADSs or ordinary shares generally will be treated as marketable stock if the ADSs or ordinary shares are "regularly traded" on a "qualified exchange or other market" (within the meaning of the applicable Treasury regulations). Under current law, the mark-to-market election may be available to holders of ADSs if the ADSs are listed on the [NYSE]/[NASDAQ], which constitutes a qualified exchange, although there can be no assurance that the ADSs will be "regularly traded" for purposes of the mark-to-market election. It should also be noted that it is intended that only the ADSs and not the ordinary shares will be listed on the [NYSE]/[NASDAQ]. Consequently, if you are a

holder of ordinary shares that are not represented by ADSs, you generally will not be eligible to make a mark-to-market election.

If you make an effective mark-to-market election, for each taxable year that we are a PFIC, you will include as ordinary income the excess of the fair market value of your ADSs at the end of the year over your adjusted basis in the ADSs. You will be entitled to deduct as an ordinary loss in each such year the excess of your adjusted basis in the ADSs over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If you make an effective mark-to-market election, any gain you recognize upon the sale or other disposition of your ADSs in a year that we are a PFIC will be treated as ordinary income and any loss will be treated as ordinary loss, but only to the extent of the net amount previously included in income as a result of the mark-to-market election.

Your adjusted basis in the ADSs will be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules. 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 other market, or the IRS 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.

A different election, known as the "qualified electing fund" or "QEF" election is generally available to holders of PFIC stock, but requires that the corporation provide the holders with a "PFIC Annual Information Statement" containing certain information necessary for the election, including the holder's pro rata share of the corporation's earnings and profits and net capital gains for each taxable year, computed according to United States federal income tax principles. We do not intend, however, to determine our earnings and profits or net capital gain under United States federal income tax principles, nor do we intend to provide United States Holders with a PFIC Annual Information Statement. Therefore, you should not expect to be eligible to make this election.

If we are a PFIC for any taxable year during which you hold our ADSs or ordinary shares and any of our non-United States subsidiaries is also a PFIC, you will 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.

You will generally be required to file IRS 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.

Taxation of Capital Gains

For United States federal income tax purposes, you will recognize taxable gain or loss on any sale or exchange of ADSs or ordinary shares in an amount equal to the difference between the amount realized for the ADSs or ordinary shares and your adjusted basis in the ADSs or ordinary shares. Subject to the discussion under "—Passive Foreign Investment Company" above, such gain or loss will generally be capital gain or loss and will generally be long-term capital gain or loss if you have held the ADSs or ordinary shares for more than one year. Long-term capital gains of non-corporate United States Holders (including individuals) are eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Any gain or loss recognized by you will generally be treated as United States source gain or loss. However, if we are treated as a PRC resident enterprise for PRC tax purposes and PRC tax is imposed on any gain, and if you are eligible for the benefits of the Treaty, you may elect to treat such gain as PRC source gain. If you are not eligible for the benefits of the Treaty or you fail to make the election to treat any gain as PRC source, then you may not be able to use the foreign tax credit arising from any PRC tax

imposed on the disposition of our ADSs or ordinary shares unless such credit can be applied (subject to applicable limitations) against United States federal income tax due on other income derived from foreign sources in the same income category (generally, the passive category). You are urged to consult your tax advisors regarding the tax consequences if any PRC tax is imposed on gain on a disposition of our ordinary shares or ADSs, including the availability of the foreign tax credit and the election to treat any gain as PRC source, under your particular circumstances.

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 other disposition 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 such as a corporation. A backup withholding tax may apply to such payments if you fail to provide a taxpayer identification number or certification of other exempt status or fail to report in full dividend and interest income.

Backup withholding is not an additional tax and 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 IRS in a timely manner.

Certain United States Holders are required to report information relating to our ADSs or ordinary shares by attaching a complete Form 8938, Statement of Specified Foreign Financial Assets, with their tax returns for each year in which they hold ADSs or ordinary shares. Significant penalties can apply if you are required to file this form and you fail to do so. You are urged to consult your own tax advisor regarding this and other information reporting requirements relating to your ownership of the ADSs or ordinary shares.

UNDERWRITING

We are offering the ADSs described in this prospectus through a number of underwriters. [] are acting as joint book-running managers of the offering and as representatives of the underwriters. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of ADSs listed next to its name in the following table:

Name	Number of ADSs
[]	
[]	
[]	
[]	
Total	

The underwriters are committed to purchase all the ADSs offered by us if they purchase any ADSs. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the ADSs directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of US\$ per ADS. Any such dealers may resell ADSs to certain other brokers or dealers at a discount of up to US\$ per ADS from the initial public offering price. After the initial offering of the ADSs to the public, the offering price and other selling terms may be changed by the underwriters.

[Sales of ADSs made outside of the United States may be made by affiliates of the underwriters.]

Option to Purchase Additional ADSs

The underwriters have an option to buy up to additional ADSs from us. The underwriters have 30 days from the date of this prospectus to exercise this option to purchase additional ADSs. If any ADSs are purchased with this option to purchase additional ADSs, the underwriters will purchase ADSs in approximately the same proportion as shown in the table above. If any additional ADSs are purchased, the underwriters will offer the additional ADSs on the same terms as those on which the ADSs are being offered.

Commissions and Expenses

The underwriting fee is equal to the public offering price per ADS less the amount paid by the underwriters to us per ADS. The underwriting fee is US\$ per ADS. The following table shows the per ADS and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional ADSs.

	Without exercise of option to purchase additional ADSs	With full exercise of option to purchase additional ADSs
Per ADS	US\$	US\$
Total	US\$	US\$

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately US\$.

Electronic Distribution

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of ADSs to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

Lock-Up Agreements

[We have agreed that we will not (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any of our ordinary shares or the ADSs, or securities convertible into or exchangeable or exercisable for any of our ordinary shares or the ADSs, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any of our ordinary shares or the ADSs or any such other securities (regardless of whether any of these transactions are to be settled by the delivery of ordinary shares, ADSs or such other securities, in cash or otherwise), in each case without the prior written consent of [] for a period of days after the date of this prospectus, other than the ADSs to be sold hereunder and any ADSs issued upon the exercise of options granted under our existing management incentive plans.]

[Our directors and executive officers, and our existing shareholders have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these persons or entities, with limited exceptions, for a period of days after the date of this prospectus, may not, without the prior written consent of [], (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any of our ordinary shares or the ADSs, or any securities convertible into or exercisable or exchangeable for our ordinary shares or the ADSs (including, without limitation, ordinary shares or ADSs or such other securities which may be deemed to be beneficially owned by such directors, executive officers, managers and members in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of an option or warrant) or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of our ordinary shares or the ADSs, or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of ordinary shares or ADSs or such other securities, in cash or otherwise, or (3) make any demand for or exercise any right with respect to the registration of any of our ordinary shares or the ADSs, or any security convertible into or exercisable or exchangeable for our ordinary shares or the ADSs.]

Relationships

[Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.]

Directed ADS Program

At our request, the underwriters have reserved up to _____ % of the ADSs being offered by this prospectus for sale at the initial public offering price to our directors, officers, employees and other individuals associated with us and members of their families. The sales will be made by _____, an underwriter of this offering, through a directed ADS program. We do not know if these persons will choose to purchase all or any portion of these reserved ADSs, but any purchases they do make will reduce the number of ADSs available to the general public. Any reserved ADSs not so purchased will be offered by the underwriters to the general public on the same terms as the other ADSs. Participants in the directed ADS program who purchase more than US\$ _____ of ADSs shall be subject to a 180-day lock-up with respect to any ADSs sold to them pursuant to that program. This lock-up will have similar restrictions and an identical extension provision to the lock-up agreements described above. Any shares sold in the directed ADS program to our directors, executive officers or selling shareholders shall be subject to the lock-up agreements described in "—Lock-up Agreements" above. We have agreed to indemnify the underwriters for against certain liabilities and expenses, including liabilities under the Securities Act, in connection with the sales of directed ADSs.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

[New York Stock Exchange or NASDAQ] Listing

We will apply to have our ADSs approved for listing/quotation on the [NYSE/NASDAQ] under the symbol " _____."

Stabilization, Short Positions and Penalty Bids

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling ADSs in the open market for the purpose of preventing or retarding a decline in the market price of the ADSs while this offering is in progress. These stabilizing transactions may include making short sales of ADSs, which involves the sale by the underwriters of a greater number of ADSs than they are required to purchase in this offering, and purchasing ADSs on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' option to purchase additional ADSs referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their option to purchase additional ADSs, in whole or in part, or by purchasing ADSs in the open market. In making this determination, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market compared to the price at which the underwriters may purchase ADSs through the option to purchase additional ADSs. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase ADSs in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act of 1933, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the ADSs, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase ADSs in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those ADSs as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the ADSs or preventing or retarding a decline in the market price of the ADSs, and, as a result, the price of the ADSs may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the [NYSE/NASDAQ], in the over-the-counter market or otherwise.

Pricing of the Offering

Prior to this offering, there has been no public market for our ordinary shares or ADSs. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. In determining the initial public offering price, we and the representatives of the underwriters expect to consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the representatives;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded common stock or ADSs of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our ADSs, or that the ADSs will trade in the public market at or above the initial public offering price.

Selling Restrictions

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Canada. The ADSs may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the ADSs must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

European Economic Area. In relation to each Member State of the European Economic Area (each, a "Relevant Member State"), no offer of ADSs may be made to the public in that Relevant Member State other than:

- A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- B. to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives; or
- C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of ADSs shall require the Company or the representatives to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State who initially acquires any ADSs or to whom any offer is made will be deemed to have represented, acknowledged and agreed that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive. In the case of any ADSs being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the ADSs acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any ADSs to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

The Company, the representatives and their affiliates will rely upon the truth and accuracy of the foregoing representations, acknowledgements and agreements.

This prospectus has been prepared on the basis that any offer of ADSs in any Relevant Member State will be made pursuant to an exemption under the Prospectus Directive from the requirement to publish a prospectus for offers of ADSs. Accordingly any person making or intending to make an offer in that Relevant Member State of ADSs which are the subject of the offering contemplated in this prospectus may only do so in circumstances in which no obligation arises for the Company or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive in relation to such offer. Neither the Company nor the underwriters have authorized, nor do they authorize, the making of any offer of ADSs in circumstances in which an obligation arises for the Company or the underwriters to publish a prospectus for such offer.

For the purpose of the above provisions, the expression "an offer to the public" in relation to any ADSs in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase or subscribe the ADSs, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression "Prospectus Directive" means Directive 2003/71/EC (including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member States) and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Hong Kong. The ADSs have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the ADSs has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

People's Republic of China. This prospectus does not constitute a public offer of the ADSs, whether by sale or subscription, in the PRC. The ADSs are not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC.

Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the ADSs or any beneficial interest therein without obtaining all prior PRC governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

Singapore. This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the ADSs are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

United Kingdom. This document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are "qualified investors" (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19 (5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "relevant persons").

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

EXPENSES RELATED TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, which are expected to be incurred in connection with the offer and sale of the ADSs by us. With the exception of the SEC registration fee and the Financial Industry Regulatory Authority filing fee, all amounts are estimates.

SEC registration fee	US\$
[NYSE]/[NASDAQ] listing fee	
Financial Industry Regulatory Authority filing fee	
Printing and engraving expenses	
Legal fees and expenses	
Accounting fees and expenses	
Miscellaneous	
Total	<u><u>US\$</u></u>

These expenses will be borne by us, except for underwriting discounts and commissions, which will be borne by us in proportion to the numbers of ADSs sold in the offering by us, respectively.

LEGAL MATTERS

We are being represented by Simpson Thacher & Bartlett LLP with respect to certain legal matters of United States federal securities and New York state law. Certain legal matters of United States federal securities and New York state law in connection with this offering will be passed upon for the underwriters by Fenwick & West LLP. The validity of the ordinary shares represented by the ADSs offered in this offering and legal matters as to Cayman Islands law will be passed upon for us by Conyers Dill & Pearman. Certain legal matters as to PRC law will be passed upon for us by King & Wood Mallesons and for the underwriters by Fangda Partners. Simpson Thacher & Bartlett LLP and Conyers Dill & Pearman may rely upon King & Wood Mallesons with respect to matters governed by PRC law. Fenwick & West LLP may rely upon Fangda Partners with respect to matters governed by PRC law.

EXPERTS

The consolidated financial statements of GDS Holdings Limited as of December 31, 2014 and 2015 and for the years then ended have been included herein and in the registration statement, in reliance upon the report of KPMG Huazhen LLP, an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated statement of comprehensive loss and consolidated statement of cash flows of EDC Holding Limited for the six-month period ended June 30, 2014 have been included herein and in the registration statement, in reliance upon the report of KPMG Huazhen LLP, an independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

The office of KPMG Huazhen LLP is located at 50th Floor, Plaza 66, 1266 Nanjing West Road, Shanghai, People's Republic of China.

WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form F-1, including relevant exhibits and schedules under the Securities Act with respect to underlying ordinary shares represented by the ADSs, to be sold in this offering. A related registration statement on F-6 will be filed with the SEC to register the ADSs. This prospectus, which constitutes a part of the registration statement, does not contain all of the information contained in the registration statement. You should read the registration statement and its exhibits and schedules for further information with respect to us and our ADSs.

Immediately upon closing of this offering, we will become subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we will be required to file reports, including annual reports on Form 20-F, and other information with the SEC. All information filed with the SEC can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You can request copies of these documents upon payment of a duplicating fee, by writing to the SEC. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Additional information may also be obtained over the Internet at the SEC's web site at www.sec.gov.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of 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 will not be 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. However, we intend to furnish the depositary with our annual reports, which will include a review of operations and annual audited consolidated combined financial statements prepared in conformity with U.S. GAAP, and all notices of shareholders' meeting 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 will mail to all record holders of ADSs the information contained in any notice of a shareholders' meeting received by the depositary from us.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2014 and 2015

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**The Board of Directors and Shareholders
GDS Holdings Limited:**

We have audited the accompanying consolidated balance sheets of GDS Holdings Limited and subsidiaries (the "Company") as of December 31, 2014 and 2015, and the related consolidated statements of operations, comprehensive loss, changes in shareholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of GDS Holdings Limited and subsidiaries as of December 31, 2014 and 2015, and the results of their operations and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG Huazhen LLP

Shanghai, China
May 20, 2016

GDS HOLDINGS LIMITED AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except share data and per share data, or otherwise noted)

	Note	As at December 31	
		2014	2015
Assets			
Current assets			
Cash			
(including cash of VIEs of RMB4,857 and RMB12,032 as of December 31, 2014 and 2015, respectively)		606,758	924,498
Restricted cash		3,947	6,425
Accounts receivable, net of allowance for doubtful accounts (including accounts receivables of VIEs of RMB506 and RMB3,847, net of allowance for doubtful accounts as of December 31, 2014 and 2015, respectively)	3	73,366	111,013
Value-added-tax ("VAT") recoverable (including VAT recoverable of VIEs of RMB508 and RMB1,389 as of December 31, 2014 and 2015, respectively)		18,249	59,680
Prepaid expenses (including prepaid expenses of VIEs of RMB2 and RMB5,173 as of December 31, 2014 and 2015, respectively)		36,378	51,395
Other current assets (including other current asset of VIEs of RMB10 and RMB234 as of December 31, 2014 and 2015, respectively)	4	7,133	33,688
Total current assets		745,831	1,186,699
Property and equipment, net (including property and equipment, net of VIEs of RMB654 and RMB5,830 as of December 31, 2014 and 2015, respectively)	5	1,694,944	2,512,687
Intangible assets, net	6	55,860	46,935
Prepaid land use rights, net	7	28,025	27,408
Goodwill	8	1,294,664	1,294,664
Deferred tax assets	18	—	2,363
Other non-current assets		34,750	57,516
Total assets		3,854,074	5,128,272
Liabilities, Redeemable Preferred Shares and Shareholders' Deficit			
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	9	426,709	428,218
Bonds payable	10	14,340	—
Accounts payable (including accounts payable of VIEs of RMB264 and RMB4,151 as of December 31, 2014 and 2015, respectively)		231,814	215,658
Accrued expenses and other payables (including accrued expenses and other payables of VIEs of RMB760 and RMB1,802 as of December 31, 2014 and 2015, respectively)	11	118,545	118,316
Due to related parties	24	23,300	67,604
Deferred revenue (including deferred revenue of VIEs of RMB717 and RMB8,992 as of December 31, 2014 and 2015, respectively)		43,301	46,508
Obligations under capital leases, current	12	39,621	48,745
Total current liabilities		897,630	925,049
Long-term borrowings, excluding current portion	9	492,123	958,264
Convertible bonds payable	10	—	648,515
Obligations under capital leases, non-current	12	246,996	424,939
Deferred tax liabilities	18	40,724	37,691
Other long-term liabilities		29,127	79,005
Total liabilities		1,706,600	3,073,463
Redeemable preferred shares (US\$0.00005 par value; 350,563,436 shares authorized; 349,087,677 shares issued and outstanding with aggregate redemption amount of RMB2,029,766 and RMB2,277,059, as of December 31, 2014 and 2015, respectively)	13	2,164,039	2,395,314
Shareholders' deficit			
Ordinary shares (US\$0.00005 par value; 675,636,564 shares authorized; 217,987,922 shares issued and outstanding as of December 31, 2014 and 2015, respectively)	15	76	76
Additional paid-in capital		410,486	303,621
Accumulated other comprehensive income (loss)		56,542	(61,949)
Accumulated deficit	19	(483,669)	(582,253)
Total shareholders' deficit		(16,565)	(340,505)
Commitments and contingencies	23		
Total liabilities, redeemable preferred shares and shareholders' deficit		3,854,074	5,128,272

See accompanying notes to consolidated financial statements.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Operations

(In thousands, except share data and per share data, or otherwise noted)

	Note	Years ended December 31,	
		2014	2015
Net revenue	17	468,337	703,636
Cost of revenue		(388,171)	(514,997)
Gross profit		80,166	188,639
Operating expenses			
Selling and marketing expenses		(40,556)	(57,588)
General and administrative expenses		(113,711)	(128,714)
Research and development expenses		(1,597)	(3,554)
Loss from operations		(75,698)	(1,217)
Other income (expenses):			
Interest income		6,935	1,355
Interest expenses		(131,908)	(126,901)
Foreign currency exchange (loss) gain, net		(875)	11,107
Government grants		4,870	3,915
Gain on remeasurement of equity investment	8	62,506	—
Others, net		(412)	1,174
Loss before income taxes		(134,582)	(110,567)
Income tax benefits	18	4,583	11,983
Net loss		(129,999)	(98,584)
Net loss		(129,999)	(98,584)
Extinguishment of redeemable preferred shares	13	(106,515)	—
Change in redemption value of redeemable preferred shares	13	(69,116)	(110,926)
Dividends on redeemable preferred shares	20	(3,509)	(7,127)
Net loss available to ordinary shareholders		(309,139)	(216,637)
Loss per ordinary share			
Basic and diluted	20	(1.91)	(0.99)
Weighted average number of ordinary share outstanding			
Basic and diluted	20	162,070,745	217,987,922

See accompanying notes to consolidated financial statements.

GDS HOLDINGS LIMITED AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss
(In thousands, except share data and per share data, or otherwise noted)

	<u>Years ended December 31,</u>	
	<u>2014</u>	<u>2015</u>
Net loss	(129,999)	(98,584)
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of nil tax	4,114	(118,491)
Comprehensive loss	<u>(125,885)</u>	<u>(217,075)</u>

See accompanying notes to consolidated financial statements.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Shareholders' Deficit

(In thousands, except share data and per share data, or otherwise noted)

	Note	Ordinary Shares		Additional paid-in capital	Accumulated other comprehensive (loss) income	Accumulated deficit	Total deficit
		Number	Amount				
Balance at January 1, 2014	15	110,000,001	43	—	52,428	(353,670)	(301,199)
Loss for the year		—	—	—	—	(129,999)	(129,999)
Other comprehensive income		—	—	—	4,114	—	4,114
Total comprehensive loss		—	—	—	4,114	(129,999)	(125,885)
Acquisition of EDC Holding	8, 15	88,352,558	27	472,918	—	—	472,945
Issuance of shares in exchange for bonds payable	10, 15	38,397,655	12	205,524	—	—	205,536
Repurchase of ordinary shares	15	(18,762,292)	(6)	(119,658)	—	—	(119,664)
Extinguishment of redeemable preferred shares upon repurchase	13	—	—	(76,900)	—	—	(76,900)
Extinguishment of redeemable preferred shares upon exchange	13	—	—	(29,615)	—	—	(29,615)
Change in redemption value of redeemable preferred shares	13	—	—	(69,116)	—	—	(69,116)
Share-based compensation	16	—	—	27,333	—	—	27,333
		107,987,921	33	410,486	—	—	410,519
Balance at December 31, 2014 and January 1, 2015		217,987,922	76	410,486	56,542	(483,669)	(16,565)
Loss for the year		—	—	—	—	(98,584)	(98,584)
Other comprehensive loss		—	—	—	(118,491)	—	(118,491)
Total comprehensive loss		—	—	—	(118,491)	(98,584)	(217,075)
Change in redemption value of redeemable preferred shares	13	—	—	(110,926)	—	—	(110,926)
Share-based compensation	16	—	—	4,061	—	—	4,061
Balance at December 31, 2015		217,987,922	76	303,621	(61,949)	(582,253)	(340,505)

See accompanying notes to consolidated financial statements.

GDS HOLDINGS LIMITED AND SUBSIDIARIES
Consolidated Statements of Cash Flows

(In thousands, except share data and per share data, or otherwise noted)

	Note	Years ended December 31,	
		2014	2015
Cash flows from operating activities:			
Net loss		(129,999)	(98,584)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization of debt issuance cost and debt discount		33,874	—
Depreciation and amortization		82,753	145,406
Net gain on disposal of property and equipment		(37)	—
Share-based compensation expense		27,333	4,061
Gain on remeasurement of equity investment		(62,506)	—
Allowance for doubtful accounts		2,156	—
Deferred tax benefit		(5,024)	(10,589)
Changes in operating assets and liabilities, net of effect of acquisitions:			
Increase of accounts receivable		(11,851)	(37,647)
Increase of VAT recoverable		(16,197)	(41,431)
Increase of prepaid expenses		(3,499)	(15,017)
Increase of restricted cash		—	(6,425)
Decrease (increase) of other current assets		81,334	(12,287)
Decrease (increase) of other non-current assets		4,105	(22,766)
Decrease of accounts payable		(6,760)	(5,150)
(Decrease) increase of due to related parties		(3,086)	2,668
Increase of deferred revenue		10,675	3,207
Increase (decrease) of accrued expenses and other payables		18,293	(1,071)
Increase of other long-term liabilities		6,373	15,327
Net cash provided by (used in) operating activities		27,937	(80,298)
Cash flows from investing activities:			
Payments for purchase of property and equipment		(248,349)	(732,979)
Loans made to a related party	24(a)	(307,048)	—
Cash acquired from the acquisition of EDC Holding	8	40,999	—
Cash paid for an acquisition made by EDC Holding		(13,592)	—
Proceeds from sale of property and equipment		163	52
Release of restricted cash related to purchase of property and equipment		4,078	1,022
Net cash used in investing activities		(523,749)	(731,905)

See accompanying notes to consolidated financial statements.

GDS HOLDINGS LIMITED AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)

(In thousands, except share data and per share data, or otherwise noted)

	Note	Years ended December 31,	
		2014	2015
Cash flows from financing activities:			
Proceeds from short-term borrowings		298,307	333,000
Proceeds from long-term borrowings		200,000	584,457
Repayment of short-term borrowings		(357,307)	(289,000)
Repayment of long-term borrowings		(115,936)	(137,709)
Payment of issuance cost of borrowings		—	(24,310)
Proceeds from issuance of convertible bonds payable	10	—	648,950
Proceeds from issuance of bonds payable	10	114,950	—
Repayment of bonds payable	10	(4,081)	(14,330)
Proceeds from a related party loan	24(a)	—	64,936
Proceeds from issuance of Series C redeemable preferred shares	13	1,521,295	—
Payment of issuance costs of Series C redeemable preferred shares	13	(20,128)	—
Repurchase of ordinary shares	15	(119,664)	—
Repurchase of redeemable preferred shares	13	(455,366)	(23,300)
Payment under capital lease obligations		(9,057)	(17,934)
Restricted cash released upon repayment of borrowings		3,274	2,925
Net cash provided by financing activities		1,056,287	1,127,685
Effect of exchange rate changes on cash		(2,328)	2,258
Net increase in cash		558,147	317,740
Cash at beginning of year		48,611	606,758
Cash at end of year		<u>606,758</u>	<u>924,498</u>
Supplemental disclosures of cash flow information			
Interest paid		55,149	81,216
Income tax paid		443	853
Supplemental disclosures of non-cash investing and financing activities			
Payables for purchase of property and equipment		73,709	20,402
Purchase of property and equipment through capital leases		—	205,000
Issuance of ordinary shares in exchange of bonds payable	10	205,536	—
Issuance of ordinary and preferred shares for the acquisition of EDC Holding	8	1,184,242	—

See accompanying notes to consolidated financial statements.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In thousands, except share data and per share data, or otherwise noted)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION

(a) Description of business

GDS Holdings Limited (the "Parent" or "GDS Holdings") was incorporated in the Cayman Islands on December 1, 2006. GDS Holdings and its consolidated subsidiaries and consolidated variable interest entities (collectively referred to as "the Company") are principally engaged in providing colocation, managed hosting and managed cloud services in the People's Republic of China (the "PRC"). The Company operates its data centers in Hong Kong Special Administrative Region, Shanghai Municipality, Beijing Municipality, Jiangsu Province, Guangdong Province and Sichuan Province of the PRC and serves customers that primarily operate in the internet and banking industries. During the periods presented, the Company's operations are primarily conducted through a wholly owned subsidiary, Global Data Solutions Co., Ltd. ("GDS Suzhou").

On June 30, 2014, the Company acquired EDC Holding Limited and its subsidiaries ("EDC Holding"), a limited liability holding company incorporated in the Cayman Islands. EDC Holding primarily provides colocation services in the PRC. See note 8.

(b) Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP").

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand.

The accompanying consolidated financial statements contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. The realization of assets and the satisfaction of liabilities in the normal course of business are dependent on, among other things, the Company's ability to operate profitably, to generate cash flows from operations, and to pursue financing arrangements, including obtaining new bank borrowings or renewing its existing bank borrowings.

Historically, the Company relied on external bank and third party loans and issuances of preferred shares and convertible bonds to fund its working capital and capital expenditure requirements and to meet its obligations and commitments when they become due.

The Company has carried out a review of its cash flow forecast for the twelve months ending December 31, 2016. Based on such forecast, management believes that adequate sources of liquidity exist to fund the Company's working capital and capital expenditures requirements, and to meet its short-term debt obligations and other liabilities and commitments as they become due. In preparing the cash flow forecast, management has considered historical cash requirements, working capital and capital expenditures plans, estimated cash flows provided by operations, existing cash on hand and available credit facilities, as well as other key factors, including its ability to renew its short-term bank borrowings during 2016 and to obtain external financing. Management believes the assumptions used in the cash forecast are reasonable.

On December 30, 2015, the Company entered into a subscription agreement with two investors for the issuance of Convertible Bonds due 2019 in an aggregate principal amount of US\$250,000 in four tranches. On December 30, 2015 and January 29, 2016, the Company issued the first tranche of US\$100,000 (RMB648,950) and the second tranche of US\$50,000 (RMB324,475), respectively. A portion

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION (Continued)

of the second tranche was used to settle an outstanding loan of US\$10,000(RMB64,936). The subscription for the remaining third and fourth tranches of the Convertible Bonds due 2019 in an aggregate principal amount of US\$100,000 (RMB648,950) expires on September 30, 2016.

From January 1, 2016 to May 20, 2016, the Company repaid its bank borrowings that matured during this period in the aggregate amount of RMB159,024 and obtained new bank borrowings of RMB184,275.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) *Principles of Consolidation*

The accompanying consolidated financial statements include the financial statements of GDS Holdings Limited, its subsidiaries and consolidated variable interest entities ("VIEs") for which the Company is the primary beneficiary. The VIEs are Beijing Wanguo Chang'an Science and Technology Co., Ltd., ("GDS Beijing") and Shanghai Shu'an Data Services Co., Ltd., ("GDS Shanghai").

In certain regions of the PRC, the Company's operations are conducted through VIEs to comply with the PRC laws and regulations, which prohibit foreign investments in companies that are engaged in data center related business in those regions. Individuals acting as nominee equity holders hold the legal equity interests of the VIEs on behalf of the Company. The equity holders of the VIEs are the CEO of the Company and his relative.

A series of contractual agreements, including equity interest pledge agreements, powers of attorney, exclusive technology license and services agreements, exclusive option agreements and loan agreements (collectively, the "VIE Agreements") were entered among GDS Suzhou, the VIEs, and the equity holders of the VIEs. Through these agreements, the equity holders have granted all their legal rights, including voting rights, dividends rights, and disposition rights, of their equity interests in the VIEs to the Company. Accordingly, the equity holders of the VIEs do not have (i) rights to make decisions about the activities of the VIEs and (ii) rights to receive the expected residual returns of the VIEs.

Under the terms of the VIE Agreements, the Company has (i) the right to receive service fees on a yearly basis at an amount equivalent to all of the net profits of the VIEs under the exclusive service agreements when such services are provided; (ii) the right to receive all dividends declared by the VIEs and the right to all undistributed earnings of the VIEs; (iii) the right to receive the residual benefits of the VIEs through its exclusive option to acquire 100% of the equity interests in the VIEs, to the extent permitted under PRC law; and (iv) the right to require each of the shareholder of the VIEs to appoint the PRC citizen(s) as designated by GDS Suzhou to act as such shareholder's exclusive attorney-in-fact to exercise all shareholder rights, including, but not limited to, voting on all matters of the VIEs requiring shareholder approval, disposing of all or part of the shareholder's equity interest in the VIEs, and appointing directors and executive officers. During the periods presented, the Company provided loans to the VIEs to support their working capital requirements and for capitalization purposes.

In accordance with ASC 810-10-25-38A, the Company has a controlling financial interest in the VIEs because the Company has (i) the power to direct activities of the VIEs that most significantly impact the economic performance of the VIEs; and (ii) the obligation to absorb the expected losses and the

GDS HOLDINGS LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****(In thousands, except share data and per share data, or otherwise noted)****2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

right to receive expected residual return of the VIEs that could potentially be significant to the VIEs. The terms of the VIE Agreements and the Company's financial support to the VIEs were considered in determining that the Company is the primary beneficiary of the VIEs. Accordingly, the financial statements of the VIEs are consolidated in the Company's consolidated financial statements.

Under the terms of the VIE Agreements, the VIEs' equity holders have no rights to the net assets nor have the obligations to fund the deficit, and such rights and obligations have been vested to the Company. All of the equity (net assets) or deficits (net liabilities) and net income (loss) of the VIEs are attributed to the Company.

The Company has been advised by its PRC legal counsel that each of the VIE agreements is valid, binding and enforceable in accordance with its terms and applicable PRC laws and the ownership structure of the VIEs does not violate applicable PRC Laws. However, there are substantial uncertainties regarding the interpretation and application of PRC laws and future PRC laws and regulations. There can be no assurance that the PRC authorities will take a view that is not contrary to or otherwise different. If the current ownership structure of the Company and the VIE Agreements are determined to be in violation of any existing or future PRC laws and regulations, the PRC government could:

- Levy fines on the Company or confiscate income of the Company;
- Revoke or suspend the VIEs' business or operating licenses;
- Discontinue or place restrictions or onerous conditions on VIE's operations;
- Require the Company to discontinue their operations in the PRC;
- Require the Company to undergo a costly and disruptive restructuring;
- Take other regulatory or enforcement actions that could be harmful to the Company's business.

The imposition of any of these government actions could result in the termination of the VIE agreements, which would result in the Company losing the (i) ability to direct the activities of the VIEs and (ii) rights to receive substantially all the economic benefits and residual returns from the VIEs and thus result in the deconsolidation of the VIEs in the Company's consolidated financial statements.

The assets and liabilities of the VIEs are presented parenthetically on the face of the consolidated balance sheets. The operating, investing and financing cash flows of the VIEs were insignificant during the years ended December 31, 2014 and 2015. Net revenue and net loss of the VIEs that were included in the Company's consolidated financial statements for the years ended December 31, 2014 and 2015 are as follows:

	Years ended December 31,		
	2014	2015	
Net revenue	9,244	30,598	
Net loss	4,779	5,327	

The creditors of the VIEs do not have recourse to the general credit of the Company or its consolidated subsidiaries.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In order to adapt to the new regulatory requirements in China, the Company completed an internal restructuring on April 13, 2016 whereby GDS Suzhou was converted into a PRC domestic company that is wholly owned by GDS Beijing. See Note 26(b) for a further discussion of the restructuring and the VIE Agreements currently in effect.

(b) *Use of estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include, but are not limited to, the useful lives of long-lived assets, the fair values of assets acquired and liabilities assumed and the consideration transferred in a business combination, the fair value of the reporting unit for the goodwill impairment test, the allowance for doubtful accounts receivable, the realization of deferred income tax assets, the fair value of share-based compensation awards, the recoverability of long-lived assets and the fair value of the asset retirement obligation. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

(c) *Cash and cash equivalents*

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company does not have any cash equivalents as of December 31, 2014 and 2015.

(d) *Restricted cash*

Restricted cash represents amounts held by banks, which are not available for the Company's use, as security for issuance of commercial acceptance notes relating to purchase of property and equipment, letters of guarantee or bank borrowings and the related interest. Upon maturity of the commercial acceptance notes, letters of guarantee and repayment of bank borrowings, the deposits are released by the bank and available for general use by the Company. Restricted cash is reported within cash flows from operating, investing or financing activities in the consolidated statements of cash flows with reference to the purpose of the restriction.

(e) *Fair value of financial instruments*

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements,

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels (see note 14 to the consolidated financial statements):

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

(f) Accounts receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statements of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, the accounts receivables aging, and the customers' repayment patterns. The Company reviews its allowance for doubtful accounts on a customer-by-customer basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

(g) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any recorded impairment. Property and equipment acquired under capital leases are initially recorded at the present value of minimum lease payments.

Gains or losses arising from the disposal of an item of property and equipment are determined based on the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of disposal.

The estimated useful lives are presented below.

Buildings	20 - 30 years
Data center equipment	
—Machinery	10 - 20 years
—Other equipment	3 - 5 years
Leasehold improvement	Shorter of the lease term and the estimated useful lives of the assets
Furniture and office equipment	3 - 5 years
Vehicles	5 years

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in progress primarily consists of the cost of data center buildings and the related construction expenditures that are required to prepare the data center buildings for their intended use.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Once a data center building is ready for its intended use and becomes operational, construction in progress is allocated to the property and equipment categories and is depreciated over the estimated useful life of the underlying assets.

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. For assets acquired under a capital lease, the assets are amortized in a manner consistent with the Company's normal depreciation policy for owned assets if the lease transfers ownership to the Company by the end of the lease term or contains a bargain-purchase-option. Otherwise, assets acquired under a capital lease are amortized over the lease term.

(h) **Long-lived assets held for sale**

Long-lived assets are classified as held-for-sale if: (1) the Company has committed to a plan to sell the assets that are available for sale in its present condition, including initiating actions to complete the sale that is probable to qualify for as a completed sale within one year; (2) it is unlikely that significant changes to the plan will be made or the plan will be withdrawn; (3) the assets are being marketed for sale at a price that is reasonable in related to its current value. Long-lived assets held for sale are recorded at the lower of carrying value and fair value less cost to sell. A loss shall be recognized for any initial or subsequent write-down to fair-value less cost to sell. Long-lived assets held for sale are not depreciated while classified as held for sale.

In August 2014, the Company entered into an agreement with a customer for the development, construction and sale of an ancillary property and the related land right. As of December 31, 2015, all the conditions precedent to the sale of the property have not been performed, and therefore no revenue or income was recognized during the periods presented. The cost of the property held for sale of RMB9,075 is recorded in other current assets (note 4).

(i) **Leases**

Leases are classified at the lease inception date as either a capital lease or an operating lease. A lease is a capital lease if any of the following conditions exists: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life, or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. The Company records a capital lease as an asset and an obligation at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term. As of December 31, 2014 and 2015, assets under capital leases represent data center buildings and data center equipment.

Rental costs on operating leases are charged to expense on a straight-line basis over the lease term. Certain operating leases contain rent holidays and escalating rent. Rent holidays and escalating rent are considered in determining the straight-line rent expense to be recorded over the lease term.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Rental costs associated with building operating leases that are incurred during the construction of leasehold improvements and to otherwise ready the property for the Company's intended use are recognized as rental expenses and are not capitalized.

(j) Asset retirement costs

The Company's asset retirement obligations are primarily related to its data center buildings, of which the majority are leased under long-term arrangements, and, in certain cases, are required to be returned to the landlords in their original condition.

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred. The corresponding asset retirement costs are capitalized as part of the cost of leasehold improvements and are depreciated over the shorter of the asset or the term of the lease subsequent to the initial measurement. The Company accretes the liability in relation to the asset retirement obligations over time and the accretion expense is recorded in cost of revenue.

Asset retirement obligations are recorded in other long-term liabilities. The following table summarizes the activity of the asset retirement obligation liability:

Asset retirement obligations as of January 1, 2014	—
Additions	2,148
Accretion expense	73
Asset retirement obligations as of December 31, 2014	2,221
Additions	3,299
Accretion expense	255
Asset retirement obligations as of December 31, 2015	5,775

(k) Intangible assets

Intangible assets acquired in the acquisition of EDC Holding comprised of customer relationships and favorable leases.

The weighted-average amortization period by major intangible asset class is as follows:

Customer relationships	5-6 years
Favorable lease	20 years

Customer relationships represent the orders, backlog and customer lists, which arise from contractual rights or through means other than contracts. Customer relationships are amortized using a straight-line method, as the pattern in which the economic benefits of the intangible assets are consumed or used up cannot be reliably determined.

Favorable lease is recognized as an intangible asset if the terms of the acquiree's operating lease are favorable relative to market terms. Favorable lease is amortized on a straight-line method over the lease term.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) **Prepaid land use rights**

The land use rights represent the amounts paid and relevant costs incurred for the rights to use land in the PRC and are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the term of the land use right of 50 years.

(m) **Goodwill**

Goodwill is an asset representing the future economic benefits arising from other assets acquired in the acquisition of EDC Holding that are not individually identified and separately recognized.

Goodwill is not amortized but is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the stock prices, business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. Application of the goodwill impairment test requires judgment, including the identification of the reporting unit, assignment of assets and liabilities to the reporting unit, assignment of goodwill to the reporting unit, and determination of the fair value of each reporting unit. Estimating fair value is performed by utilizing various valuation techniques, with a primary technique being a discounted cash flow which requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long term rate of growth for the Company's business, estimation of the useful life over which cash flows will occur, and determination of the Company's weighted average cost of capital.

The Company has the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of a reporting unit is less than its carrying value prior to performing the two-step goodwill impairment test. If it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required. If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and the Company performs step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. The Company performs its annual impairment review of goodwill at December 31 of each year. No impairment losses were recorded for goodwill for the years ended December 31, 2014 and 2015.

(n) **Impairment of long-lived assets**

Long-lived assets, such as property and equipment, intangible assets subject to amortization and prepaid land use rights are reviewed for impairment whenever events or changes in circumstances

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recorded for long-lived assets for the years ended December 31, 2014 and 2015.

(o) Other non-current assets

Other non-current assets primarily represent the deposits for leases, amounting to RMB34,750 and RMB46,423 as of December 31, 2014 and 2015, respectively, which are expected to be refunded after one year of the balance sheet date at the end of the lease term. Deposits for leases, which are expected to be refunded within one year of the balance sheet date, are recorded in other current assets.

(p) Derivative financial instruments

Derivative financial instruments are recognized initially at fair value. At the end of each reporting period, the fair value is remeasured. The gain or loss on remeasurement to fair value is recognized immediately in profit or loss.

(q) Commitment and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(r) Revenue recognition

The Company recognizes revenue when delivery of the service or product has occurred, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable.

These criteria as they relate to each of the following major revenue generating activities are described below.

The Company derives revenue primarily from the delivery of (i) colocation services; (ii) managed hosting services and; (iii) managed cloud services. The remainder of the Company's revenue is from IT equipment sales that are either sold on a stand-alone basis or bundled in a managed hosting service contract arrangement and consulting services.

Colocation services are services where the Company provides space, power and cooling to customers for housing and operating their IT system equipment in the Company's data centers. Colocation

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

services are provided to customers for a fixed amount over the contract service period, ranging from 1 to 6 years. Revenues from colocation services are recognized on a straight line basis over the term of the contract. The Company has determined that its performance pattern to be straight line since the customer receives value as the services are rendered continuously during the term of the contract, the earning process is straight-line, and there is no other discernible performance pattern of recognition.

Managed hosting services are services where the Company provides outsourced services to manage the customers' data center operations, including data migration, IT operations, security and data storage. Managed hosting services are primarily provided to financial institution customers as a business continuity and disaster recovery solution. Managed hosting services are provided to customers for a fixed amount over the contract service period ranging from 1 to 6 years. Revenues from managed hosting services are recognized on a straight line basis over the term of the contract. The Company has determined that its performance pattern to be straight line since the customer receives value as the services are rendered continuously during the term of the contract, the earning process is straight-line, and there is no other discernible performance pattern of recognition.

In certain colocation and managed hosting service contracts, the Company agrees with the customers that the Company will charge the customers for the actual power consumption. The Company records the chargeable power consumption as service revenue in the consolidated statements of operations.

Revenue recognized for colocation or managed hosting and cloud services delivered prior to billing is recorded within accounts receivable. The Company generally bills the customer in equal instalments on a monthly or quarterly basis.

Cash received in advance from customers prior to the delivery of the colocation or managed hosting and cloud services is recorded as deferred revenue.

Managed cloud services are services where the Company delivers virtual storage and computing services to customers. Managed cloud services are provided to customers for a fixed amount over the subscription period, ranging from 1 to 3 years. Revenues from managed cloud services are recognized ratably over the subscription period once all requirements for recognition have been met, including provisioning the service so that it is available to the customers.

The sale of IT equipment is recognized when delivery has occurred and the customer accepts the equipment and the Company has no performance obligation after the delivery.

In certain managed hosting service contracts, the Company sells and delivers IT equipment such as servers and computer terminals prior to the delivery of the services. Since the delivered item has value to the customer on a standalone basis and there is no general right of return for the equipment, the equipment is considered a separate unit of accounting. Accordingly, the contract consideration is allocated to the equipment and the managed hosting services based on their relative standalone selling prices. The consideration allocated to the delivered equipment is not contingent on the delivery of the services or meeting other specified performance conditions. That is, payment on the equipment is due upon the delivery of the equipment and is not contingent upon the delivery of the undelivered services.

Consulting services are provided to customers for a fixed amount over the service period, usually less than one year. The Company's consulting contracts do not specify any interim milestones, (other than

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

for payment based on passage of time), or deliverables. The Company recognizes revenues from consulting services using the proportional performance method based on the pattern of service provided to the customers.

Sales taxes collected from customers and remitted to governmental authorities are excluded from revenues in the consolidated statements of operations.

(s) **Cost of revenues**

Cost of revenues consists primarily of utility costs, depreciation of property and equipment, rental costs, labor costs and other costs directly attributable to the provision of the service revenue.

(t) **Research and development and advertising costs**

Research and development and advertising costs are expensed as incurred. Research and development costs amounted to RMB1,597 and RMB3,554 in 2014 and 2015, respectively. Research and development costs consist primarily of payroll and related personnel costs for developing or significantly improving the Company's services and products.

Advertising costs amounted to RMB2,363 and RMB4,128 in 2014 and 2015, respectively.

(u) **Start-up costs**

Pre-operating or start-up costs incurred prior to operating a new data center are expensed as incurred and consist primarily of rental costs of operating leases of buildings during the construction of leasehold improvements and other miscellaneous costs incurred prior to the operation of the data centers. Start-up costs amounted to RMB16,217 and RMB25,659 and were recorded in general and administrative expenses in 2014 and 2015, respectively.

(v) **Government grants**

Government grants are recognized when received and when all the conditions for their receipt have been met. Subsidies that compensate the Company for expenses incurred are recognized as a reduction of expenses in the consolidated statements of operations. Subsidies that are not associated with expenses are recognized as other income.

Subsidies for the acquisition of property and equipment are recorded as a liability until earned and then depreciated over the useful life of the related assets as a reduction of the depreciation charges. Subsidies for obtaining the rights to use land are recorded as a liability until earned and then amortized over the land use right period as a reduction of the amortization charges of the related land use rights. In 2010 and 2011, the Company received government subsidies that required the Company to operate in a particular area for a certain period. The Company recorded the subsidies in other long-term liabilities when the subsidies were received and subsequently recognized as government subsidy income ratably over the period the Company is required to operate in the area.

As of December 31, 2014 and 2015, deferred government grants of RMB18,466 and RMB16,268 are recorded in other long-term liabilities in the consolidated balance sheets.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) **Capitalized interest**

A reconciliation of total interest costs to "Interest expenses" as reported in the consolidated statements of operations for 2014 and 2015 is as follows:

	Years ended December 31,	
	2014	2015
Total interest costs	136,458	138,260
Less: interest costs capitalized	(4,550)	(11,359)
Interest expenses	131,908	126,901

Interest costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. The capitalization of interest costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, interest costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of interest costs is ceased when the asset is substantially complete and ready for its intended use.

(x) **Debt issuance costs**

Debt issuance costs are capitalized and are amortized over the life of the related loans based on the effective interest method. Such amortization is included as a component of interest expense.

The Company early adopted Accounting Standards Update 2015-03, Interest—Imputation of Interest ("ASU 2015-03"), during the year ended December 31, 2015. In accordance with ASU 2015-03, debt issuance costs of nil and RMB23,908 are presented as a reduction of debt as of December 31, 2014 and 2015, respectively.

(y) **Income tax**

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Share-based compensation

The Company accounts for the compensation cost from share-based payment transactions with employees based on the grant-date fair value of the equity instrument issued. The grant-date fair value of the award is recognized as compensation expense, net of estimated forfeitures, over the period during which an employee is required to provide service in exchange for the award, which is generally the vesting period. When no future services are required to be performed by the employee in exchange for an award of equity instruments, and if such award does not contain a performance or market condition, the cost of the award is expensed on the grant date. The Company recognizes compensation cost for an award with only service conditions that has a graded vesting schedule on a straight-line basis over the requisite service period for the entire award, provided that the cumulative amount of compensation cost recognized at any date at least equals the portion of the grant-date value of such award that is vested at that date.

Share-based payment transactions with nonemployees in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the earlier of either the date on which the counterparty's performance is complete or the date at which a commitment for performance by the counterparty to earn the equity instrument is reached.

(aa) Employee benefits

Pursuant to relevant PRC regulations, the Company is required to make contributions to various defined contribution plans organized by municipal and provincial PRC governments. The contributions are made for each PRC employee at rates ranging from 28% to 49% on a standard salary base as determined by local social security bureau. Contributions to the defined contribution plans are charged to the consolidated statements of operations when the related service is provided.

(bb) Foreign currency translation and foreign currency risks

The functional currency of GDS Holdings is the USD, whereas the functional currency of its PRC subsidiaries and consolidated VIEs is the RMB.

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss and are reported in foreign currency exchange (loss) gain on a net basis.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported in other comprehensive income and accumulated in the translation adjustment component of equity until the sale or liquidation of the foreign entity.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The RMB is not a freely convertible currency. The PRC State Administration for Foreign Exchange, under the authority of the PRC government, controls the conversion of RMB to foreign currencies. The value of the RMB is subject to changes of central government policies and international economic and political developments affecting supply and demand in the China foreign exchange trading system market. The Company's cash and restricted cash denominated in RMB amounted to RMB89,849 and RMB200,004 as of December 31, 2014 and 2015, respectively. As of December 31, 2015, the Company's cash and restricted cash were deposited in major financial institutions located in PRC, Hong Kong, and Cayman Island financial institutions, and were denominated in the following currencies:

	RMB	USD	HKD	JPY	EUR
In PRC	199,268	110,890	—	—	—
In Hong Kong	736	747	4,859	2,056	22
In Cayman Island	—	256	—	—	—
Total in original currency	200,004	111,893	4,859	2,056	22
RMB equivalent	200,004	726,582	4,071	111	155

(cc) Concentration of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalent, restricted cash, and accounts receivable. The Company's investment policy requires cash and cash equivalents and restricted cash to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. The Company regularly evaluates the credit standing of the counterparties or financial institutions.

The Company conducts credit evaluations on its customers prior to delivery of goods or services. The assessment of customer creditworthiness is primarily based on historical collection records, research of publicly available information and customer on-site visits by senior management. Based on this analysis, the Company determines what credit terms, if any, to offer to each customer individually. If the assessment indicates a likelihood of collection risk, the Company will not deliver the services or sell the products to the customer or require the customer to pay cash, post letters of credit to secure payment or to make significant down payments. Historically, credit losses on accounts receivable have been insignificant.

(dd) Earnings (loss) per share

Basic earnings (loss) per ordinary share is computed by dividing net income (loss) attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding during the year using the two-class method. Under the two-class method, net income (loss) attributable to the Company's ordinary shareholders is allocated between ordinary shares and other participating securities based on participating rights in undistributed earnings. The Company's preferred shares (note 13) are participating securities since the holders of these securities participate in dividends on the same basis as ordinary shareholders. These participating securities are not included in

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the computation of basic loss per ordinary share in periods when the Company reports net loss, because these participating security holders have no obligation to share in the losses of the Company.

Diluted earnings (loss) per share is calculated by dividing net income (loss) attributable to the Company's ordinary shareholders as adjusted for the effect of dilutive ordinary share equivalents, if any, by the weighted average number of ordinary and dilutive ordinary share equivalents outstanding during the year. Ordinary share equivalents include the ordinary shares issuable upon the exercise of the outstanding share options (using the treasury stock method) and conversion of redeemable preferred shares and convertible bonds (using the as-if-converted method). Potential dilutive securities are not included in the calculation of diluted earnings (loss) per share if the impact is anti-dilutive.

(ee) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). This ASU requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which companies expect to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. This ASU was originally effective for fiscal years and interim periods beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers ("ASU 2015-14"), which amends ASU 2014-09 and defers its effective date to fiscal years and interim reporting periods beginning after December 15, 2017. ASU 2015-14 permits earlier application only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact that the adoption of these standards will have on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"), to provide guidance on management's responsibility in evaluating whether there is substantial doubt about a company's ability to continue as a going concern and to provide related footnote disclosures. ASU 2014-15 is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, Interest—Imputation of Interest ("ASU 2015-03"), to simplify the presentation of debt issuance costs. The ASU requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying amount of the debt liability, consistent with debt discounts or premiums. The recognition and measurement guidance for debt issuance costs is not affected by this ASU. This ASU is effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016, with early adoption permitted. The Company early adopted ASU 2015-03. See note 2(x).

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"), to simplify the presentation of deferred income taxes by eliminating the requirement to separate deferred tax assets and liabilities into current and noncurrent amounts. ASU 2015-17

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

requires that all deferred tax assets and liabilities, along with any related valuation allowance, be classified as noncurrent and is effective for financial statements issued for fiscal years beginning after December 15, 2016, and interim periods within those fiscal years. Earlier application is permitted as of the beginning of an interim or annual reporting period. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) ("ASU 2016-02"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. ASU 2016-02 is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

3. ACCOUNTS RECEIVABLES, NET

Accounts receivables, net consisted of the following:

	As at December 31	
	2014	2015
Accounts receivables	75,522	113,169
Less: allowance for doubtful accounts	(2,156)	(2,156)
Accounts receivables, net	73,366	111,013

The Company generally invoices its customers on a monthly or quarterly basis in accordance with the contract terms. Due to the timing difference between the billing and revenue recognition, accounts receivables included an unbilled portion of RMB8,019 and RMB46,275 as of December 31, 2014 and 2015, respectively.

Accounts receivables of RMB43,937 and RMB42,511 was pledged as security for bank loans (see note 9) as of December 31, 2014 and 2015, respectively.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

3. ACCOUNTS RECEIVABLES, NET (Continued)

An allowance for doubtful accounts is provided based on the Company's best estimate of the amount of probable credit losses in the Company's existing accounts receivable. The Company assesses the collectability of accounts receivable by analyzing specific customer accounts that have known or potential doubt as to collectability. The following table presents the movement of the allowance for doubtful accounts:

	Year ended December 31,	
	2014	2015
Balance at the beginning of the year	—	2,156
Allowance made during the year	2,156	—
Balance at the end of the year	2,156	2,156

During the year ended December 31, 2014, the Company made an allowance for doubtful accounts on a receivable from a customer of RMB2,156. Management believes all other accounts receivable as of December 31, 2014 and 2015 are expected to be collected in full.

4. OTHER CURRENT ASSETS

Other current assets consisted of the following:

	As at December 31	
	2014	2015
Rental and other deposits	6,027	9,456
Deferred tax assets, current (note 18)	—	5,193
Assets held for sale	—	18,531
Others	1,106	508
	7,133	33,688

Assets held for sale included property held for sale of RMB9,075 and IT equipment awaiting for sale of RMB9,456, for which the Company has entered into sale contracts with the customer.

Others mainly represented miscellaneous receivables due from employees.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

5. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

	As at December 31	
	2014	2015
At cost:		
Buildings	1,049,376	1,049,376
Data center equipment	680,633	891,089
Leasehold improvement	220,175	554,450
Furniture and office equipment	26,072	32,001
Vehicles	2,403	2,728
	<u>1,978,659</u>	<u>2,529,644</u>
Less: Accumulated depreciation	(374,117)	(421,475)
	<u>1,604,542</u>	<u>2,108,169</u>
Construction in progress	90,402	404,518
Property and equipment, net	<u>1,694,944</u>	<u>2,512,687</u>

(1) The carrying amounts of the Company's property and equipment acquired under capital leases at respective balance sheet dates were as follows:

	As at December 31	
	2014	2015
At cost:		
Buildings	422,874	627,874
Data center equipment	12,718	12,718
	<u>435,592</u>	<u>640,592</u>
Less: Accumulated depreciation	(11,642)	(32,061)
	<u>423,950</u>	<u>608,531</u>

(2) Depreciation of property and equipment (including assets acquired under capital leases) was RMB77,946 and RMB135,864 for the years ended December 31, 2014 and 2015, respectively, and included in the following captions:

	As at December 31	
	2014	2015
Cost of revenue	71,024	131,097
General and administrative expenses	6,922	4,767
	<u>77,946</u>	<u>135,864</u>

(3) Property and equipment with net a book value of RMB162,686 and RMB579,524 was pledged as security for bank loans (see note 9) as of December 31, 2014 and 2015, respectively.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

5. PROPERTY AND EQUIPMENT, NET (Continued)

- (4) As of December 31, 2014 and 2015, payables for purchase of property and equipment that are contractually due beyond one year of RMB nil and RMB31,152 are recorded in other long-term liabilities in the consolidated balance sheets.

6. INTANGIBLE ASSETS

Intangible assets consisted of the following:

	Note	As at December 31	
		2014	2015
Customer relationships	8	44,822	44,822
Favorable lease	8	15,500	15,500
		60,322	60,322
Less: accumulated amortization		(4,462)	(13,387)
Intangible assets, net		55,860	46,935

The Company's customer relationships and favorable lease were acquired in the acquisition of EDC Holding (note 8).

Amortization of intangible assets was RMB4,462 and RMB8,925 for the years ended December 31, 2014 and 2015, respectively.

Estimated future amortization expense related to these intangible assets is as follows:

Fiscal year ending December 31,	
2016	8,925
2017	8,925
2018	8,925
2019	8,925
2020	775
Thereafter	10,460
Total	46,935

7. PREPAID LAND USE RIGHTS

Prepaid land use rights consisted of the following:

	As at December 31	
	2014	2015
Prepaid land use rights	28,370	28,370
Less: Accumulated amortization	(345)	(962)
Prepaid land use rights, net	28,025	27,408

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

7. PREPAID LAND USE RIGHTS (Continued)

Amortization of prepaid land use rights was RMB345 and RMB617 for the years ended December 31, 2014 and 2015, respectively.

Prepaid land use rights with a net book value of RMB21,461 and RMB20,983 were pledged as security for bank loans (see note 9) as of December 2014 and 2015, respectively.

8. GOODWILL

The movement of goodwill is set out as below:

	As at December 31	
	2014	2015
Balance at the beginning of the year	—	1,294,664
Addition during the year	1,294,664	—
Balance at end of year	1,294,664	1,294,664

Goodwill represents the excess of the purchase price over the fair value of the net tangible and intangible assets acquired in the acquisition of EDC Holding in June 2014. The goodwill is not deductible for tax purposes. Goodwill is assigned to the design, build-out and operation of data centers reporting unit.

EDC Holding Acquisition

Prior to the acquisition, the Company held a 7% non-controlling equity interest in EDC Holding which was accounted for under the cost method. EDC Holding is principally engaged in providing colocation services in the PRC.

On June 30, 2014, in an effort to enhance its service offering and to increase business synergy, the Company acquired all the equity interests in EDC Holding (preferred and ordinary shares) it did not already own, for a consideration comprising 88,352,558 ordinary shares and 110,810,606 redeemable preferred shares of the Company, consisting of 14,149,705 Series A* redeemable preferred shares ("Series A* Shares"), 33,959,293 Series B1 redeemable preferred shares ("Series B1 Shares"), 25,618,413 Series B2 redeemable preferred shares ("Series B2 Shares"), 14,045,432 Series B3 redeemable preferred shares ("Series B3 Shares") and 23,037,763 Series B4 redeemable preferred shares ("Series B4 Shares"). The fair value of the consideration was determined by management with the assistance of a third party appraiser and was considered more reliably measured than the acquisition-date fair value of the acquiree's equity interests.

Prior to the acquisition, the Company and EDC Holding had certain shareholders who held preferred shares in both companies with different ownership interests. None of these shareholders or any other ordinary or preferred shareholders individually or as a group acting in concert held more than 50% of the voting interest of each entity. The Company accounted for the business combination by applying the acquisition method of accounting. The Company completed the acquisition of EDC Holding on June 30, 2014, the date on which the consideration was transferred, and control was obtained to govern the financial and operating policies of EDC Holding and obtain benefits from its activities.

GDS HOLDINGS LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****(In thousands, except share data and per share data, or otherwise noted)****8. GOODWILL (Continued)**

The Company was identified as the accounting acquirer for the following reasons: (i) the Company was the entity that issued the new equity interests; (ii) a shareholder of the Company held the largest minority voting interest in the combined entity; (iii) the Company's shareholders have the ability to elect or appoint or to remove a majority of the members of the governing body of the combined entity; (iv) the Company's management dominates the management of the combined entity after the acquisition; and (v) the Company has a significantly larger relative size in terms of revenue and operations than that of EDC Holding.

Total fair value of consideration transferred at acquisition date was as follows:

Fair value of ordinary shares issued	472,945
Fair value of redeemable preferred shares issued	711,297
Total fair value of total consideration transferred	<u>1,184,242</u>

The fair value of the ordinary shares issued was US\$0.87 per share and the fair values of the various series of preferred shares issued ranged from US\$0.93 to US\$1.13 per share or on average approximately US\$1.04 per share. Each series of preferred shares issued had different terms; in particular, the redemption amount of each series of preferred shares was different.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

8. GOODWILL (Continued)

The identifiable assets acquired and liabilities assumed in the business combination were recorded at their fair value on the acquisition date and consisted of the following major items.

	<u>Note</u>	
Fair value of consideration transferred		1,184,242
Fair value of non-controlling equity interest previously held by the Company	(i)	62,506
Sub-total		<u>1,246,748</u>
Effective settlement of pre-existing relationships	(ii)	<u>549,521</u>
Recognized amounts of identifiable assets acquired and liabilities assumed		
Cash		(40,999)
Property and equipment	(iii)	(1,535,246)
Identifiable intangible assets	(iv)	(60,322)
Other assets		(96,508)
Short-term borrowings and current portion of long-term borrowings		178,638
Accounts payable		290,326
Obligations under capital leases, current		35,234
Long-term borrowings, excluding current portion		342,130
Deferred tax liabilities		45,748
Obligations under capital leases, non-current		250,318
Other liabilities		89,076
Total identifiable net assets		<u>(501,605)</u>
Goodwill		<u>1,294,664</u>

Note (i): The gain of RMB62,506 arising from the re-measurement of the existing carrying value of investment in EDC Holding to fair value was recognized in the consolidated statement of operations. The fair value of the previous held non-controlling equity interest was determined by management with the assistance of a third party appraiser.

Note (ii): Prior to the business combination, the Company had the following pre-existing relationships with EDC Holding: (1) a prepayment due from EDC Holding of RMB254,633 for future services under a service contract with EDC Holding; (2) outstanding loans of RMB344,110 due from EDC Holding; and (3) a loan of US\$8,000 (RMB49,222) issued from EDC Holding to the Company in January 2013. No gain or loss was recognized from the effective settlement of such pre-existing relationship between the Company and EDC Holding. At the acquisition date, the amount due from EDC Holding of RMB598,743 and the amount due to EDC Holding of RMB49,222 are eliminated upon consolidation.

Note (iii): Property and equipment acquired included data center buildings of RMB624,090, properties acquired under capital lease of RMB422,874, data center equipment of RMB299,801, leasehold improvement of RMB2,694, furniture and office equipment of RMB958, vehicles of RMB749 and construction in progress of RMB184,080.

Note (iv): Identifiable intangible assets acquired consisted of customer relationships of RMB44,822 with an estimated useful life of 5 to 6 years and favorable lease of RMB15,500 with estimated useful life of 20 years.

The amounts of net revenue and net loss of EDC Holding included in the Company's consolidated statements of operations from the acquisition date to December 31, 2014 amounted to RMB17,880 and RMB99,949, respectively.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

9. LOANS AND BORROWINGS

The Company's borrowings consisted of the following:

	As at December 31	
	2014	2015
Short-term borrowings	289,000	333,000
Current portion of long-term borrowings	137,709	95,218
Sub-total	426,709	428,218
Long-term borrowings, excluding current portion	492,123	958,264
Total loans and borrowings	918,832	1,386,482

Short-term borrowings

The Company's short-term borrowings consisted of the following:

	As at December 31	
	2014	2015
Unsecured short-term loans and borrowings	—	60,000
Secured short-term loans and borrowings	(i) 289,000	273,000
	289,000	333,000

(i) Short-term borrowings were secured by the following assets:

	Note	As at December 31	
		2014	2015
Accounts receivable	3	36,576	20,221
Property and equipment, net	5	—	144,540
Prepaid land use rights, net	7	—	14,602
		36,576	179,363

(ii) The weighted average interest rates of short-term borrowings were 6.98% and 6.55% per annum for the years ended December 31, 2014 and 2015, respectively.

(iii) Short-term loans of RMB259,000 and RMB247,000 as of December 31, 2014 and 2015, were guaranteed by William Wei Huang, Director and CEO of the Company, respectively.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

9. LOANS AND BORROWINGS (Continued)

Long-term borrowings

The Company's long-term borrowings consisted of the following:

	As at December 31	
	2014	2015
Unsecured long-term loans and borrowings	7,269	2,844
Secured long-term loans and borrowings	622,563	1,050,638
	<u>629,832</u>	<u>1,053,482</u>

- (i) The weighted average interest rates of long-term borrowings were 10.2% and 8.73% per annum for the years ended December 31, 2014 and 2015, respectively.
- (ii) As of December 31, 2014 and 2015, accrued interest of RMB8,440 and RMB25,554 payable on maturity of the long-term borrowings was recorded in other long-term liabilities in the consolidated balance sheets.
- (iii) Long-term loans and borrowings were secured by the following assets:

	Note	As at December 31	
		2014	2015
Accounts receivable	3	7,361	22,290
Property and equipment, net	5	162,686	434,984
Prepaid land use rights, net	7	21,461	6,381
		<u>191,508</u>	<u>463,655</u>

- (iv) Long-term loans of RMB15,000 and RMB194,955 as of December 31, 2014 and 2015 were guaranteed by William Wei Huang, respectively.
- (v) The aggregate maturities of the above long-term loans and borrowings for each of the five years and thereafter subsequent to December 31, 2015 are as follows:

Fiscal year ending December 31,	Long-term loans and borrowings
2016	95,218
2017	334,191
2018	155,645
2019	174,433
2020	229,595
Thereafter	64,400
Total	<u>1,053,482</u>

As of December 31, 2015, the particulars of the total secured long-term loans and borrowings of RMB1,050,638, were as follows:

- i) In 2009, a subsidiary of the Company entered into a thirteen-year entrusted credit facility for a principal amount of RMB322,000 with the local government through a third party bank. As of December 31, 2015, the outstanding loan under such credit facility was RMB225,400 and the effective interest rate of the loan was 4.9% per annum. The facility was secured by prepaid land use right with a carrying amount of RMB6,381 as of December 31, 2015.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

9. LOANS AND BORROWINGS (Continued)

- ii) In 2014, a subsidiary of the Company entered into an entrusted credit facility of RMB200,000 with a third party lender through a third party bank. As of December 31, 2015, the outstanding loan under such credit facility was RMB199,800 and the interest rate of the loan was 18% per annum. The facility was secured by accounts receivables with a carrying amount of RMB22,290 as of December 31, 2015. The loan contains financial covenants, which require that the subsidiary's outstanding loans (exclusive of this entrusted loan and any other entrusted loans) should be within a range of RMB130,000 and RMB240,000 (the "borrowing range") and the total pledged assets cannot exceed RMB20,000. On March 31, 2015, the subsidiary's outstanding loans exceeded RMB240,000 and total pledged assets exceeded RMB20,000. On June 10, 2015, the subsidiary obtained a waiver letter from the creditor that waived the covenant violations. The creditor and the subsidiary also agreed to revise the acceptable outstanding borrowings in a range of RMB130,000 and RMB360,000 and removed the restriction on the pledged assets. As of December 31, 2015, the Company was in compliance with such covenants.
- iii) In 2015, a subsidiary of the Company entered into a six-year credit facility with a third party bank amounting to RMB290,000. As of December 31, 2015, the outstanding loan under such credit facility was RMB180,455 and the effective interest rate of the loan was 5.94% per annum. The facility was guaranteed by William Wei Huang, Director and CEO of the Company and secured by property and equipment with carrying amount value of RMB154,178 as of December 31, 2015.
- iv) In 2015, two subsidiaries of the Company entered into loan facilities with third party banks amounting to RMB550,000, of which RMB403,580 was initially drawn down. As of December 31, 2015, the outstanding loans under such credit facilities were RMB380,483 (net of debt issuance costs) and the effective interest rate of the loans was 6.56%-6.83% per annum. The facilities are secured by property and equipment with a carrying amount of RMB142,386 as of December 31, 2015. The loans contain a limit on the amount of capital expenditures to be incurred for the construction of the data centers and mature in 2020. The loans are required to be repaid in full prior to the maturity date in the event 1) Singapore Technologies Telemedia Limited of Singapore, the parent company of STT GDC Pte. Ltd. (a principal shareholder of the Company), ceases to own and control, directly or indirectly, at least 40% of the equity interest in the Company prior to an initial public offering (IPO) or 30% of the equity interest in the Company after an IPO, or ceases to be the single largest shareholder of the Company, 2) the Company ceases to own and control, directly or indirectly, 100% of the borrowing subsidiaries, or 3) there are changes in the shareholding structure of a principal operating subsidiary, as defined in the agreements. In addition, under the terms of the loans, upon the completion of the Company's IPO, the Company is required to repay early RMB100,000 of the outstanding loan principal amount to the bank based on the principal amount outstanding as of December 31, 2015. The loan facilities include a cross default provision which would be triggered if the Company fails to repay any financial indebtedness of RMB30,000 or more when due or within any originally applicable grace period. As of December 31, 2015, the Company was in compliance with the above covenants.
- v) As of December 31, 2015, there were two secured long-term loans and borrowings outstanding in the aggregate amount of RMB64,500 (RMB14,500 and RMB50,000). The loans mature in 2017, are secured by property and equipment with carrying amount of RMB138,420 as of December 31, 2015 and do not contain any financial covenants. In addition, the RMB14,500 loan is guaranteed by William Wei Huang, Director and CEO of the Company. The effective interest rates of the RMB14,500 loan and RMB50,000 loan were 5.39% and 6.46% per annum, respectively.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

9. LOANS AND BORROWINGS (Continued)

As of December 31, 2015, the particulars of unsecured long-term loans and borrowings are as follows:

- i) In 2014, a subsidiary of the Company entered into a two-year credit facility with a third party bank amounting to US\$5,000. As of December 31, 2015, the outstanding loan under such credit facility was RMB2,844 (US\$438) and the effective interest rate of the loan was 5.38% per annum, which was based on three-month LIBOR+4.75%. This loan contains a financial covenant that requires the subsidiary to keep a minimum cash liquidity of US\$200 (RMB1,298) at the bank at all times. The loan agreement also requires that both the subsidiary and the Company as a guarantor, maintain minimum quarterly revenues thresholds as specified in the loan agreement. As of December 31, 2015, the Company was in compliance with such covenants.

As of December 31, 2015, the Company has total working capital and project financing credit facilities of RMB1,628,544 from various banks, of which the unused amount was RMB278,965. As of December 31, 2015, the Company drew down RMB1,349,579, of which RMB273,000 was recorded in short-term loans and borrowing and RMB1,053,482 (net of debt issuance costs of RMB23,097) was recorded in long-term loans and borrowing, respectively. Draw downs from the credit facility are subject to the approval of the banks and are subject to the terms and conditions of each agreement.

10. BONDS PAYABLE/CONVERTIBLE BONDS PAYABLE

Bonds due June 10, 2014 issued by a subsidiary ("Bonds due 2014")

On December 11, 2012, the Company issued Bonds due 2014 to an investor in an aggregate principal amount of US\$10,509 (RMB66,125). The Bonds due 2014 had a maturity date of June 10, 2014 and carried interest at 10% per annum. Upon maturity, the carrying amount of the Bonds due 2014 was US\$10,509 (RMB64,541) and the Company repaid a portion of the Bonds due 2014 amounting to US\$664 (RMB4,081). On June 11, 2014, the Company issued Bonds due 2015 to the same investor in an aggregate principal amount of US\$30,203 (RMB185,770) of which a portion was to settle the remaining unpaid portion of the Bonds due 2014 of US\$9,845 (RMB60,460) and unpaid interest payable on the Bonds due 2014 of RMB10,360.

Bonds due June 10, 2015 issued by the Company ("Bonds due 2015")

The key terms of the Bonds due 2015 are summarized as follows:

Denomination

- Denomination—US\$10 each

Maturity date

- Maturity date—June 10, 2015

Interest rate and interest repayment

- Interest rate is at 10% per annum compounded annually.

Redemption and price

- The Company shall redeem the unpaid principal together with the interest accrued of the Bonds due 2015 on the Maturity Date.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

10. BONDS PAYABLE/CONVERTIBLE BONDS PAYABLE (Continued)*Exchange feature of the Bonds due 2015*

Prior to the Maturity Date, the holder of Bonds due 2015 has the right to exchange the bonds into the Company's ordinary shares in the event of a qualifying initial public offering ("QIPO") or private placement. The exchange feature permits the holder to receive a variable number of ordinary shares with an aggregate fair value that is based on a fixed monetary amount (the principal amount of the Bonds due 2015 that is being exchanged). The price used to determine the number of ordinary shares issued in exchange for the bonds is equal to 70% of the QIPO price or 70% of the share issuance price of the private placement. The Company separated this contingent redemption exchange feature (or embedded put option) from the principal amount of the Bonds due 2015 at the issuance date. The fair value of the embedded put option was US\$5,547 (RMB34,105). The recorded discount resulting from the allocation of the proceeds of the Bonds due 2015 to this embedded put option was recognized as interest expense. As of December 31, 2015, there was no outstanding embedded derivative due to the holder's exercise of the right to exchange a portion of the Bonds due 2015 following the completion of Series C shares in August 2014 and the holder waiving the right to exchange the remaining portion for ordinary shares described below. Total interest expense related to the debt discount amounted to RMB34,105 for the year ended December 31, 2014.

In August 2014, the Company conducted a private placement of 238,526,241 Series C redeemable preferred shares ("Series C Shares") (see note 13). Upon the issuance of Series C Shares, the holder of the Bonds due 2015 exchanged outstanding principal amount of the Bonds due 2015 of US\$27,860 (RMB171,431) for 38,397,655 ordinary shares. The number of ordinary shares issued was based on US\$0.72557, or 70% of the issuance price of Series C Shares of US\$1.036522. The difference between the fair value of the ordinary shares and the principal amount of the bonds was RMB34,105, which was charged against the embedded put option described above. The holder waived its right to exchange the remaining Bonds due 2015 of US\$2,343 (RMB14,330) for ordinary shares of the Company.

On June 10, 2015, the Company fully redeemed the remaining Bonds due 2015 of US\$2,343 (RMB14,330) upon maturity.

Convertible Bonds due December 30, 2019 issued by the Company ("Convertible Bonds due 2019")

On December 30, 2015, the Company entered into a subscription agreement with two investors (referred to as "PA investor" and STT GDC Pte. Ltd or "STT GDC") for Convertible Bonds due 2019 in an aggregate principal amount of US\$250,000 in four tranches. On December 30, 2015 and January 29, 2016, the Company received the first tranche of US\$100,000 (RMB648,950) from PA investor and the second tranche of US\$50,000 (RMB324,475) from STT GDC, respectively. The subscription for the remaining third and fourth tranches of the Convertible Bonds due 2019 in the aggregate principal amount of US\$100,000 (RMB648,950) expires on September 30, 2016.

Convertible Bonds due 2019 bears an interest rate of 10% per annum and matures on December 30, 2019 ("Maturity Date"). The Company shall redeem the unpaid principal together with the interest accrued of the Convertible Bonds due 2019 on the December 30, 2019. The Company pledged 100% of the equity interests in a subsidiary to the investors.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

10. BONDS PAYABLE/CONVERTIBLE BONDS PAYABLE (Continued)

The key terms of the Convertible Bonds due 2019 are summarized as follows:

Conversion of the Convertible Bonds due 2019

If the Company completes a QIPO, the bond holder, at any time between the date of completion of such QIPO (the "QIPO Completion Date") and the Maturity Date (the "Conversion Period"), have the right to convert up to 100% of the principal amount of the bond (in multiples of US\$10,000), together with the accrued interest thereon, into ordinary shares of the Company. The conversion price shall be US\$1.675262 subject to adjustments for situations such as share dividend, share split, consolidation, recapitalization, exchange or substitution of ordinary shares at any time or from time to time. The Company determined that there was no embedded beneficial conversion feature ("BCF") attributable to Convertible Bonds due 2019 at the commitment date because the initial conversion price of Convertible Bonds due 2019 was greater than the estimated fair value of the Company's ordinary shares as of December 30, 2015. The estimated fair value of the underlying ordinary shares on December 30, 2015 was determined by management with the assistance of an independent valuation firm. The valuation used an income approach, which requires the estimation of future cash flows and the application of an appropriate discount rate with reference to comparable listed companies engaged in a similar industry to convert such future cash flows to a single present value.

The Company also determined that the embedded conversion option did not require it to be separated as an embedded derivative because a separate instrument with the same terms as the embedded derivative would not be a derivative instrument.

If the Company completes a QIPO and the closing price of its shares is at or above 125% of the conversion price (i.e. 25% premium to the conversion price) for a period of at least ten consecutive trading days, the Company may, at its unilateral option, notify the bondholder that the bond then outstanding will be mandatorily converted at the end of the notice period in accordance with the terms and conditions of the bond.

Redemption on maturity:

Unless previously converted or purchased and cancelled in the circumstances, the bond will be redeemed on December 30, 2019 at its principal amount, plus accrued interest thereon.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

11. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables consisted of the following:

	As at December 31	
	2014	2015
Accrued rental expenses	14,767	12,951
Accrued utility expenses	3,754	8,548
Accrued payroll and welfare benefits	18,707	27,062
Accrued interest expenses	31,090	23,722
Accrued professional service fees	14,489	8,352
Other taxes payables	12,132	14,296
Income tax payable (note 18)	95	8,955
Other payables	23,511	14,430
	<u>118,545</u>	<u>118,316</u>

Other payables represent amounts due to service providers for various services received by the Company.

12. LEASE

Capital leases

The Company's capital lease obligations are summarized as follows:

	2014		2015	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
Within 1 year	39,621	41,985	48,745	51,591
After 1 year but within 2 years	33,351	38,857	52,034	60,019
After 2 years but within 3 years	30,703	39,221	51,693	64,938
After 3 years but within 4 years	29,242	40,846	50,456	69,089
After 4 years but within 5 years	27,949	42,700	108,637	172,079
After 5 years	125,751	288,556	162,119	395,251
	<u>246,996</u>	<u>450,180</u>	<u>424,939</u>	<u>761,376</u>
	<u>286,617</u>	<u>492,165</u>	<u>473,684</u>	<u>812,967</u>
Less: total future interest expenses		(205,548)		(339,283)
Present value of lease obligations		<u>286,617</u>		<u>473,684</u>
Including:				
Current portion		<u>39,621</u>		<u>48,745</u>
Non-current portion		<u>246,996</u>		<u>424,939</u>

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

12. LEASE (Continued)

The Company's capital leases expire at various dates ranging from 2020 to 2032. The weighted average effective interest rate of the Company's capital leases was 9.71% and 8.63% as of December 31, 2014 and 2015, respectively.

During the year ended December 31, 2014, the capital lease obligations arose from the acquisition of EDC Holding. The Company recognized the capital lease obligations assumed in the business combination at the acquisition-date fair value. During the year ended December 31, 2015, the Company entered into the following capital lease arrangements:

Shenzhen 2 Lease and Shenzhen 3 Lease

In March 2015 and July 2015, the Company entered into two lease agreements to lease two existing buildings in Shenzhen, China from a third party lessor (the "Shenzhen 2 Lease" and the "Shenzhen 3 Lease"). The Shenzhen 2 Lease has a lease term of 10 years from June 2015 to May 2025 and the Shenzhen 3 Lease has a lease term of 15 years from November 2015 to October 2030. The Company determined that both leases were capital leases as the present value of the minimum lease payments of each of the leases exceeded 90% of the respective fair value of the leased property at the inception of the lease.

Accordingly, on the respective lease commencement date, the Company recorded capital lease assets and capital lease obligations at an amount equal to the present value of the minimum lease payments in the aggregate amount of RMB205,000.

Shenzhen 4 Lease

In October 2015, the Company entered into a lease agreement to lease an existing building in Shenzhen, China from a third party lessor (the "Shenzhen 4 Lease"). The Shenzhen 4 Lease has a lease term of 20 years commencing from January 2016. At the inception of the lease, Company determined that Shenzhen 4 Lease is a capital lease as the present value of the minimum lease payments exceeded 90% of the fair value of the leased property. In January 2016, the Company took possession of or controlled the physical use of the building from the lessor. Accordingly, in January 2016, the Company records a capital lease asset and a capital lease obligation at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term (or RMB138,721) on the lease commencement date.

Build-to-suit leases

The Company entered into the following build-to-suit leases during the year December 31, 2015:

In January and February 2015, the Company entered into two lease agreements with a third party developer-lessor for the development, construction and the lease (build-to-suit lease) of two brand new buildings (the "Shanghai 3 Lease" and "Shanghai 4 Lease") in Shanghai, China. The Company paid a deposit for each of the two leases to the developer-lessor. Both the Shanghai 3 Lease and Shanghai 4 Lease have a lease term of 20 years commencing upon the delivery of the completed building to the Company. The two buildings will be constructed based on the Company's specifications and will not include any interior elements, such as electrical wiring, interior walls, ventilation and air conditioning systems, flooring or normal tenant improvements. That is, the developer-lessor will hand

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

12. LEASE (Continued)

over two cold-shell buildings to the Company upon completion of construction. Upon the delivery of the cold-shell buildings, the Company will convert the two buildings into data centers. No rent is paid by the Company during the construction of the two buildings. All project hard costs are to be paid by the developer-lessor, including site preparation and construction costs. In the event of termination of the lease agreements during the lease term, the Company is obligated to pay 15% of the total minimum lease payments. In addition, if the Company terminates the agreements before the construction of the buildings are completed, the Company is obligated to reimburse the developer-lessor for costs incurred during the construction period, including but not limited to project application costs, project design fees, ground preparation and leveling costs.

In accordance with ASC 840-40-55, the Company has determined that it is the owner of the two buildings during the construction period as it has substantially all of the construction period risks based on the maximum guarantee test (without considering probability that the Company having to make the payments). That is, the Company could be required, under any circumstances, to pay more than 90% of the total project costs incurred to date as of any point of time during the construction period. Since the Company is the owner of the two projects for financial reporting purposes, the Company records an asset for the estimated incurred construction costs of the project and a liability for those costs funded by the lessor-developer at the end of each reporting period. The developer-lessor received the onsite construction permit in December 2015 to commence construction. Total costs incurred as of December 31, 2015 was immaterial based on the limited ground preparation costs incurred by the developer-lessor and did not exceed the deposit amount paid to the lessor-developer.

Operating leases

The Company leases data centers, offices and other equipment that are classified as operating leases. The majority of the Company's operating leases expire at various dates through 2035.

Future minimum operating lease payments as of December 31, 2015 are summarized as follow:

Fiscal year ending December 31,	
2016	111,389
2017	93,450
2018	73,226
2019	62,273
2020	54,027
Thereafter	481,454
Total	<u>875,819</u>

Rental expenses were approximately RMB110,117 and RMB131,875 for the years ended December 31, 2014 and 2015, respectively. The Company did not sublease any of its operating leases for the periods presented.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

13. REDEEMABLE PREFERRED SHARES

The movement of the redeemable preferred shares is set out as below:

	Series A		Series A*		Series B		Series B1		Series B2		Series B3		Series B4		Series B5		Series C		Total	
	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000	Shares	RMB'000
Balance at January 1, 2014	63,250,000	198,434	—	—	11,550,000	64,056	—	—	—	—	—	—	—	—	—	—	—	—	74,800,000	262,490
Issuance of redeemable preferred shares																				
— in relation to business combination																				
— third party investor	—	—	14,149,705	80,965	—	—	33,959,293	236,108	25,618,413	165,506	14,045,432	85,554	23,037,763	143,164	—	—	—	—	110,810,606	711,297
Extinguishment of redeemable preferred shares upon repurchase	(23,533,064)	(76,473)	(5,503,899)	(31,497)	(8,413,412)	(48,593)	(13,209,358)	(91,847)	(9,964,954)	(64,383)	(5,463,340)	(33,281)	(8,961,143)	(55,692)	—	—	—	—	(75,049,170)	(401,766)
Extinguishment of redeemable preferred shares upon exchange	(10,081,891)	(32,803)	(1,729,161)	(9,896)	(560,105)	(3,276)	(9,222,193)	(63,800)	(5,217,820)	(33,540)	(8,582,092)	(52,268)	—	—	35,393,262	225,198	—	—	—	29,615
Changes in redemption value	—	6,824	—	—	—	2,393	—	—	—	—	—	—	—	—	5,210	—	—	54,689	—	69,116
Foreign exchange impact	—	1,292	—	3	—	500	—	(313)	—	(164)	—	(5)	—	5	(725)	—	(8,473)	—	—	(7,880)
Balance at December 31, 2014 and January 1, 2015	29,635,045	97,274	6,916,645	39,575	2,576,483	15,080	11,527,742	80,148	10,435,639	67,419	—	—	14,076,620	87,477	35,393,262	229,683	238,526,241	1,547,383	349,087,677	2,164,039
Changes in redemption value	—	4,029	—	—	—	754	—	—	—	—	—	—	—	—	13,715	—	—	92,428	—	110,926
Foreign exchange impact	—	6,125	—	—	—	955	—	—	—	—	—	—	—	—	14,640	—	—	98,629	—	120,349
Balance at December 31, 2015	29,635,045	107,428	6,916,645	39,575	2,576,483	16,789	11,527,742	80,148	10,435,639	67,419	—	—	14,076,620	87,477	35,393,262	258,038	238,526,241	1,738,440	349,087,677	2,395,314

The Series A, Series B Shares, Series A* Shares, Series B1 Shares, Series B2 Shares, Series B3 Shares, Series B4 Shares, Series B5 Shares and Series C Shares are collectively referred to as the "preferred shares". The preferred shares are denominated in US\$, which is the functional currency of the issuer, GDS Holdings.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

13. REDEEMABLE PREFERRED SHARES (Continued)

A summary of the authorized, issued and outstanding preferred shares as of December 31, 2015 is as follows:

Series	Shares authorized	Shares issued and outstanding	Carrying amount	Redemption value
Series A	29,635,045	29,635,045	107,428	107,428
Series A*	6,916,645	6,916,645	39,575	6,731
Series B	2,576,483	2,576,483	16,789	16,789
Series B1	11,527,742	11,527,742	80,148	54,653
Series B2	10,435,639	10,435,639	67,419	47,484
Series B4	14,076,620	14,076,620	87,477	47,496
Series B5	35,395,262	35,393,262	258,038	258,038
Series C	240,000,000	238,526,241	1,738,440	1,738,440
Total	350,563,436	349,087,677	2,395,314	2,277,059

In January 2007, the Company issued 53,625,000 Series A redeemable preferred shares ("Series A Shares") to a group of investors unrelated to the Company at US\$0.3636 (RMB2.8279) per share. Concurrent with the issuance, a holder of bonds payable converted bonds payable of US\$3,500 (RMB27,222) into 9,625,000 Series A Shares.

In March 2011, the Company issued 11,550,000 Series B redeemable preferred shares ("Series B Shares") to a group of investors unrelated to the Company at US\$0.7792 (RMB5.1087) per share.

In June 2014, the Company issued 88,352,558 ordinary shares, 14,149,705 Series A* Shares, 33,959,293 Series B1 Shares, 25,618,413 Series B2 Shares, 14,045,432 Series B3 Shares and 23,037,763 Series B4 Shares in connection with the acquisition of EDC Holding (see note 8). Series B1, B2, B3, B4 Shares are collectively referred to as Series B* Shares.

On August 13, 2014, the Company issued 238,526,241 Series C redeemable preferred shares ("Series C Shares") to an investor unrelated to the Company at US\$1.0365 (RMB6.3779) per share, for cash consideration of US\$247,238 (RMB1,521,295). The Company incurred issuance costs of US\$3,271 (RMB20,128), which were recorded as a reduction in the carrying amount of the redeemable preferred shares.

As of December 31, 2014 and 2015, the Company concluded that it was probable that the redeemable preferred shares will become redeemable. The Company has elected to recognize changes in the redemption value immediately as they occur and adjust the carrying amount of the redeemable preferred shares to equal the redemption value at the end of each reporting period. Increases in the carrying amount of the redeemable preferred shares are recorded by charges against retained earnings or, in the absence of retained earnings, by charges against paid-in capital. Reductions in the carrying amount of the redeemable preferred shares are recognized only to the extent that increases to the initial carrying amount of the redeemable preferred shares were previously recorded. The resulting increases or decreases in the carrying amount of redeemable preferred shares increases or decreases net loss available to ordinary shareholders in the calculation of earnings per share. The change in

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

13. REDEEMABLE PREFERRED SHARES (Continued)

redemption value of the redeemable preferred shares was RMB69,116 and RMB110,926, for the years ended December 31, 2014 and 2015, respectively.

Extinguishment of preferred shares

In connection with the issuance of Series C Shares, on August 13, 2014, the Company repurchased 23,533,064 Series A Shares, 5,503,899 Series A* Shares, 8,413,412 Series B Shares, 13,209,358 Series B1 Shares, 9,964,954 Series B2 Shares, 5,463,340 Series B3 Shares and 8,961,143 Series B4 Shares at US\$1.0365 (RMB6.3779) per share, for cash consideration of US\$77,788 (RMB478,666), of which RMB455,366 was paid in 2014 and the remaining RMB23,300 was paid in 2015. The Company made the offer for the repurchase to all existing preferred shareholders on that date. The reason for the repurchase of these various series of preferred shares and the ordinary shares (see note 15) was so that the Series C shareholder would hold no less than 40% of the Company's issued share capital on a fully diluted basis.

In accordance with ASC 260-10-S99, the difference between the cash consideration transferred to the holders of the preferred shares and the carrying amount of the preferred shares (net of issuance costs) is added to net loss to arrive at loss available to ordinary shareholders in the calculation of loss per share. The Company recorded the difference of US\$12,497 (RMB76,900) between the repurchase price of US\$77,790 (RMB478,666) and the carrying amount of such preferred shares of US\$65,293 (RMB401,766) against additional paid-in capital, in the absence of retained earnings.

On August 13, 2014 and December 22, 2014, the Company exchanged a total of 35,393,262 preferred shares, comprising of 10,081,891 Series A Shares, 1,729,161 Series A* Shares, 560,105 Series B Shares and 23,022,105 Series B* Shares (collectively, the "Exchanged Shares") by re-designating those shares into 35,393,262 newly issued Series B5 redeemable preferred shares ("Series B5 Shares") to facilitate the sale of the Exchanged Shares held by certain selling preferred shareholders. Concurrently, the holders sold the 35,393,262 Series B5 Shares to one investor (B5 Holder), at the purchase price of US\$1.0365 (RMB6.3779) per share for a total cash consideration of US\$36,685 (RMB225,198). The terms of the B5 Shares were identical to the terms of the Series C Shares.

The exchange, in substance, is the same as a repurchase of the Exchanged Shares from the selling preferred shareholders and a concurrent issuance of Series B5 Shares to the B5 Holder. Accordingly, the Company accounted for the exchange or re-designation of the Exchanged Shares for Series B5 Shares as an extinguishment. The difference of US\$4,812 (RMB29,615) between the fair value of the Series B5 Shares of US\$36,685 (RMB225,198) and the carrying amount of the Exchanged Shares of US\$31,873 (RMB195,583) was recorded against additional paid-in capital, in the absence of retained earnings. In accordance with ASC 260-10-S99, the difference was added to net loss to arrive at loss available to ordinary shareholders in the calculation of loss per share.

Modification of preferred shares

In connection with the issuance of Series C Shares on August 13, 2014, the Company and the holders of the remaining Series A, A*, B, B1, B2, B3 and B4 Shares (after the above extinguishment) agreed to modify the terms of their respective preferred shares. The redemption date of these Series A, A*, B, B1, B2, B3 and B4 Shares was extended to the same redemption date as Series C Shares. The holders

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

13. REDEEMABLE PREFERRED SHARES (Continued)

also agreed to modify the redemption price by reducing the annual rate of return of their respective preferred shares.

The Company determines whether an amendment or modification to the terms of its redeemable convertible preferred shares represents an extinguishment based on a fair value approach. If the fair value of the preferred shares immediately before and after the amendment is significantly different (by more than 10%), the amendment or modification represents an extinguishment. The Company has determined that the amendment to the terms of the preferred shares did not represent an extinguishment, and therefore modification accounting was applied by analogy to the modification guidance contained in ASC 718-20, Compensation—Stock Compensation. Based on a comparison of the fair value of the preferred shares after the amendment to the fair value of the preferred shares immediately before the amendment, the additional fair value change was immaterial. The fair value of the preferred shares before and after the amendment or modification was determined by management with the assistance of a third party valuation firm.

Terms of the preferred shares

Key terms of the preferred shares are summarized as follows:

Dividends

Holders of the preferred shares are entitled to receive preference dividends at an annual rate of 6% per annum of the respective preferred shares issue price, out of any funds legally available for this purpose, when, as and if declared by the Board of Directors of GDS Holdings. Payment of dividends to certain series of preferred shares is in preference and priority to any declaration or payment of any distribution on other series of preferred shares, details of which are set out in the Company's Memorandum of Association. The right to receive dividends on the preferred shares shall be cumulative, and the right to such dividends shall accrue to holders of the preferred shares notwithstanding the fact that dividends on said shares are not declared or paid in any calendar year.

Conversion

The holders of preferred shares have the right to convert all or any portion of their holdings into ordinary shares of GDS Holdings at any time. Each preferred share is convertible into one ordinary share, subject to adjustment such as share dividend, share split, consolidation, and recapitalization.

In addition, each preferred share shall (a) automatically be converted into ordinary share at then-effective conversion price immediately prior to the closing of a QIPO, or (b) be converted in to ordinary share at then-effective conversion price with the vote or written consent of the holders of at least 85% of the then outstanding Series A Shares, Series A* Shares, Series B Shares, Series B1 Shares, Series B2 Shares, Series B4 Shares and Series B5 Shares (voting together as a separate class) and the holders of at least 75% of the then outstanding Series C Shares, in each case on an as converted basis.

For the purposes of conversion of preferred shares, QIPO refers to a firm commitment underwritten IPO on an internationally recognized securities exchange (i) with gross cash proceeds to the Company of at least US\$100,000, (ii) at an issue price per share being not less than twenty-five percent (25%)

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

13. REDEEMABLE PREFERRED SHARES (Continued)

above US\$1.0365, as adjusted for any recapitalization from time to time, and (iii) resulting in a free float of not less than twenty percent (20%) of the Company's share capital.

The Company evaluated the embedded conversion option in the convertible preferred shares to determine if the embedded conversion option require bifurcation and accounted for as a derivative. The Company concluded the embedded conversion option did not require it to be bifurcated pursuant to ASC 815. The Company also determined that there was no beneficial conversion feature ("BCF") attributable to the convertible preferred shares because the initial conversion price was higher than the fair value of the Company's ordinary shares. The fair value of the Company's ordinary shares on the commitment date was estimated by management with the assistance of an independent valuation firm. The Company also determined there was no other embedded derivative to be separated from the convertible preferred share.

Voting rights

The holders of the preferred shares have voting rights equivalent to the ordinary shareholders on an "if converted" basis.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the affairs of the Company, whether voluntary or involuntary, the holders of preferred shares shall be entitled to be paid out of the assets of the Company available for distributions a liquidation preference in the amount per preferred share equal to the redemption amount plus all accrued or declared but unpaid dividends.

Payment of liquidation preference on certain series of preferred shares is prior and in preference to any payment on other series of preferred shares, and the liquidation preference in order of priority is Series C, Series B5, Series B*, Series B, Series A*, and Series A, details of which are set out in the Company's Memorandum of Association.

Redemption

Subject to other redemption requirements set out in the Company's Memorandum of Association, on or after the 4th anniversary of the original issue date of Series C Shares, the holders of preferred shares may, at the election of the holders of at least 75% of each series of outstanding preferred shares voting together as a separate class on an as converted basis, to the extent permitted by applicable laws, redeem all or any portion of the then outstanding preferred shares at a redemption price equal to the redemption amount, plus an amount equal to all accrued or declared but unpaid dividends thereon, including the 6% cumulative preference dividends whether declared or not.

The redemption amount, shall mean, with respect to the Series A Shares, US\$0.363636 per share; with respect to the Series B Shares, US\$0.77922 per share, with respect to the Series A* Shares, US\$0.1060 per share; with respect to the Series B1 Shares, US\$0.5300 per share; with respect to the Series B2 Shares, US\$0.5855 per share; with respect to the Series B4 Shares, US\$0.4340 per share; with respect to the Series B5 Shares, US\$1.036522 per share; and with respect to the Series C Shares, US\$1.036522 per share.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

14. FAIR VALUE MEASUREMENT

As of December 31, 2014 and 2015, there was no asset or liability that was measured at fair value on a recurring basis in periods subsequent to their initial recognition.

Following is a description of the valuation techniques that the Company uses to measure fair value of financial assets and financial liabilities:

- Short-term financial instruments (restricted cash, accounts receivable and payable, short-term borrowings, and accrued expenses and other payables)—cost approximates fair value because of the short maturity period.
- Long-term borrowings—fair value is based on the amount of future cash flows associated with each debt instrument discounted at the Company's current borrowing rate for similar debt instruments of comparable terms. The carrying values of the long-term borrowings approximate their fair values as all the long-term debt carry variable interest rates which approximate rates currently offered by the Company's bankers for similar debt instruments of comparable maturities.
- Convertible bonds payable—the estimated fair value approximated the carrying value of RMB648,515 as of December 31, 2015. The fair value was measured based on the best information available in the circumstances, including expected cash flows and appropriately risk-adjusted discount rates.

15. ORDINARY SHARES

Upon incorporation in 2006, the Company issued 110,000,001 ordinary shares with a par value of US\$0.00005 (RMB0.000404) each.

In June 2014, the Company issued 88,352,558 ordinary shares with a fair value of RMB472,945 to the shareholders of EDC Holding as part of the consideration to acquire EDC Holding (see note 8).

In August 2014, the holder of the Bonds due 2015 exchanged principal amount of US\$27,860 (RMB171,431) for 38,397,655 ordinary shares (see note 10).

In connection with the issuance of Series C Shares, on August 13, 2014, the Company repurchased 18,762,292 ordinary shares from certain shareholders at US\$1.0365 (RMB6.3779) per share, for a total consideration of US\$19,448 (RMB119,664). Upon the repurchase, the Company cancelled such shares. The reason for the repurchase of the various series of preferred shares (see note 13) and these ordinary shares was so that the Series C shareholder would hold no less than 40% of the Company's issued share capital on a fully diluted basis.

16. SHARE-BASED COMPENSATION

The Company adopted the 2014 Equity Incentive Plan ("Plan") in July 2014 for the granting of share options to key employees, directors and external consultants in exchange for their services. The total number of shares, which may be issued under the Plan, is 29,240,000 shares.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

16. SHARE-BASED COMPENSATION (Continued)

Options to director, officers and employees

In July 2014, the Company granted 12,394,753 share options to employees, officers and directors at an exercise price of US\$0.7792 (RMB4.7943) per option. The options have a contractual term of five to six years.

The options vest in accordance with the vesting schedules set out in the respective share option agreements as follows: (1) 63% on the date of grant, $\frac{1}{48}$ each month thereafter; (2) 71% on the date of grant, $\frac{1}{48}$ each month thereafter; (3) 75% on the date of grant, $\frac{1}{48}$ each month thereafter; or (4) 95% on the date of grant, $\frac{1}{40}$ each month thereafter.

Options to non-employee consultants

In July 2014, the Company granted the following share options to external consultants at an exercise price of US\$0.7792 (RMB4.8) per option. The options have a contractual term of five years.

The services performed or to be performed by these external consultants include marketing, technical consultancy, manage telecommunication relationships, strategic, business, operation, and financial planning services.

- 4,158,315 share options to a group of external consultants. Such options vested immediately on the date of grant for services performed and completed by the consultants.
- 1,275,000 share options to a consultant. 75% of the options (or 956,250 options) vested immediately on the date of grant for services performed and completed while the remaining 318,750 options vest monthly thereafter in eleven equal monthly instalments for future ongoing services. As of December 31, 2014, 185,938 options remained unvested. As of December 31, 2015, all options were vested.
- 400,000 share options to a group of external consultants for further services upon a QIPO. $\frac{1}{3}$ of the options vest upon the completion of a QIPO, $\frac{1}{3}$ vest upon the 2nd anniversary of a QIPO and $\frac{1}{3}$ vest upon the 3rd anniversary of a QIPO. As of December 31, 2014 and 2015, 400,000 options remained unvested.

In January 2015, the Company granted 1,000,000 share options to an external consultant at an exercise price of US\$0.7792 (RMB4.8) per option. The options vest every six months in six equal instalments for future ongoing services. The options have a contractual term of five years. As of December 31, 2015, 666,667 options remained unvested.

These consulting service contracts do not contain a performance commitment. Options to non-employees are forfeitable if not vested. The Company determined that these non-employee options are considered indexed to its own stock and would be equity-classified.

The Company measures the fair value of stock options issued in exchange for services on the date when counterparty completes the performance and recognizes the related share-based compensation expenses. The Company recognized share-based compensation expenses of RMB10,060 and RMB2,019 relating to options issued to non-employee for the years ended December 31, 2014 and 2015, respectively.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

16. SHARE-BASED COMPENSATION (Continued)

Options that are forfeitable and vest upon the non-employee providing future service is measured at the fair value of the date the performance is completed, which generally coincides with the date on which the options vest and are no longer forfeitable. In accordance with ASC 505-50-S99-1, such options are treated as unissued for accounting purposes until the future services are performed by the non-employees and received by the Company (that is, the options are not considered issued until they vest). During reporting periods prior to completion of performance, the Company measures the cost of the services based on the fair value of the share options at each reporting date using the valuation model applied in previous periods. The portion of the services that the non-employee has rendered is applied to the current measure of fair value to determine the cost to recognize. Changes in the Company's share price from the grant date to the vesting date result in adjustments to the reported costs of services in each period until performance is completed.

A summary of the share option activities is as follows:

	Number of options	Weighted average exercise price (RMB)	Weighted average grant-date fair value per option (RMB)
Options outstanding at January 1, 2014	—	—	—
Granted	17,642,130	4.8	1.9
Forfeited	(178,923)	4.8	1.9
Options outstanding at December 31, 2014	17,463,207	4.8	1.9
Granted	519,271	4.8	1.9
Forfeited	(788,944)	4.8	1.9
Options outstanding at December 31, 2015	<u>17,193,534</u>	4.8	1.9
Options vested and expect to vest at December 31, 2015	<u>17,193,534</u>	4.8	1.9

As of December 31, 2014 and 2015, 585,938 and 1,066,667 forfeitable and unvested non-employee options, respectively, were treated as unissued for accounting purposes and were not included in the table above.

A summary of share-based compensation expenses for the years ended December 31, 2014 and 2015 is as follows:

	Year ended December 31,	
	2014	2015
Costs of revenue	2,851	484
General and administrative expenses	22,525	3,252
Selling and marketing expenses	1,957	325
Total share based compensation expenses	<u>27,333</u>	<u>4,061</u>

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

16. SHARE-BASED COMPENSATION (Continued)

The following table summarizes information with respect to stock options outstanding and stock options exercisable as of December 31, 2015:

	Number of shares	Weighted average remaining contractual life (years)	Weighted average exercise price (RMB)
Options outstanding and exercisable	17,193,534	3.7	4.8

As of December 31, 2015, there was no unvested employee stock options.

The fair value of the options granted is estimated on the dates of grant using the binomial option pricing model with the following assumptions used.

Grant date:	July 2014	January 2015
Risk-free rate of return	2.25%	2.27%
Volatility	31.40%	29.80%
Expected dividend yield	—	—
Exercise multiple	2.20	2.20
Fair value of underlying ordinary share	US\$0.88 (RMB5.35)	US\$0.90 (RMB 5.5)
Expected term	5-6 years	5 years

(1) Volatility

The volatility of the underlying ordinary shares during the lives of the options was estimated based on the historical stock price volatility of comparable listed companies over a period comparable to the expected term of the options.

(2) Risk-free interest rate

Risk-free interest rate was estimated based on the yield to maturity of China international government bonds with a maturity period close to the expected term of the options.

(3) Dividend yield

The dividend yield was estimated by the Company based on its expected dividend policy over the expected term of the options.

(4) Exercise multiple

Exercise multiple represents the value of the underlying share as a multiple of exercise price of the option, which, if achieved, results in exercise of the option.

GDS HOLDINGS LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****(In thousands, except share data and per share data, or otherwise noted)****16. SHARE-BASED COMPENSATION (Continued)**

- (5) Fair value of underlying ordinary shares

The estimated fair value of the ordinary shares underlying the options as of the respective grant dates was determined based on a retrospective valuation with the assistance of a third party appraiser.

17. NET REVENUE

Net revenue is consisted of the following:

	Years ended December 31,	
	2014	2015
Service revenue	450,940	653,591
IT equipment sales	17,397	50,045
	<u>468,337</u>	<u>703,636</u>

18. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands, GDS Holdings is not subject to any income tax in the Cayman Islands.

The Company's PRC entities are subject to the PRC Corporate Income Tax ("CIT") rate of 25%.

The Company's Hong Kong entity is subject to the Hong Kong Profits Tax rate of 16.5%.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

18. INCOME TAX (Continued)

The operating results before income tax and the provision for income taxes by tax jurisdictions for the years ended December 31, 2014 and 2015 are as follows:

	Years ended December 31,	
	2014	2015
Loss before income taxes:		
PRC	112,572	94,190
Other jurisdictions	22,010	16,377
Total loss before income taxes	134,582	110,567
Current tax expenses:		
PRC	436	(1,650)
Other jurisdictions	5	256
Total current tax expenses(benefits)	441	(1,394)
Deferred tax benefits:		
PRC	(4,877)	(10,589)
Other jurisdictions	(147)	—
Total deferred tax benefits	(5,024)	(10,589)
Total income taxes benefits	(4,583)	(11,983)

The actual income tax expense reported in the consolidated statements of operations differs from the amount computed by applying the PRC statutory income tax rate to loss before income taxes due to the following:

	Years ended December 31,	
	2014	2015
PRC enterprise income tax rate	25.0%	25.0%
Non-PRC entities not subject to income tax	(1.8%)	(3.8%)
Tax differential for entities in non-PRC jurisdiction	(0.8%)	0.0%
Tax effect of permanent differences	(0.4%)	(0.6%)
Change in valuation allowance	(18.4%)	(9.4%)
Return to provision adjustment	(0.2%)	(0.4%)
	3.4%	10.8%

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

18. INCOME TAX (Continued)

The components of deferred tax assets and liabilities are as follows:

	As at December 31	
	2014	2015
Deferred tax assets:		
Bad debt provision	539	539
Government subsidy	4,621	4,067
Accrued expenses	12,480	8,732
Asset retirement obligation	555	1,444
Net operating loss carry forwards	123,599	135,878
Total gross deferred tax assets	141,794	150,660
Valuation allowance on deferred tax assets	(116,403)	(118,952)
Deferred tax assets, net of valuation allowance	25,391	31,708
Deferred tax liabilities:		
Property and equipment	(38,885)	(37,982)
Intangible assets	(13,585)	(11,430)
Prepaid land use rights	(1,814)	(1,774)
Obligation under capital lease	(11,831)	(10,657)
Total deferred tax liabilities	(66,115)	(61,843)
Net deferred tax liabilities	(40,724)	(30,135)
Analysis as:		
Current deferred tax assets (note 4)	—	5,193
Non-current deferred tax assets	—	2,363
Non-current deferred tax liabilities	(40,724)	(37,691)
Net deferred tax liabilities	(40,724)	(30,135)

The following table presents the movement of the valuation allowance for the deferred tax assets:

	Years ended December 31,	
	2014	2015
Balance at the beginning of the year	117,065	116,403
(Decrease) increase during the year	(662)	2,549
Balance at the end of the year	116,403	118,952

Management believes it is more likely than not that the deferred tax asset, net of the valuation allowance as of December 31, 2015, will be realized. However, the amount of the deferred tax assets considered realizable could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced. As of December 31, 2015, the valuation allowance of RMB118,952 was related to the deferred income tax asset of certain subsidiaries of the Company. These entities were in a cumulative loss position, which is a significant negative indicator to overcome

GDS HOLDINGS LIMITED AND SUBSIDIARIES**Notes to Consolidated Financial Statements (Continued)****(In thousands, except share data and per share data, or otherwise noted)****18. INCOME TAX (Continued)**

that sufficient income will be generated over the periods in which the deferred income tax assets are deductible or utilized. The ultimate realization of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible or utilized. Management considers the scheduled reversal of deferred income tax liabilities, projected future taxable income and tax planning strategies in making this assessment.

During the year ended December 31, 2015, certain net operating losses carry forwards expired. A full valuation allowance was provided against these net operating losses carry forwards as of the end of December 31, 2014. The net operating losses carry forwards of the Company's PRC subsidiaries amounted to RMB514,385 as of December 31, 2015, of which RMB37,660, RMB65,191, RMB224,920, RMB73,416 and RMB113,198 will expire if unused by December 31, 2016, 2017, 2018, 2019 and 2020, respectively.

Uncertainties exist with respect to how the current income tax law in the PRC applies to the Company's overall operations, and more specifically, with regard to tax residency status. The 2008 EIT Law includes a provision specifying that legal entities organized outside the PRC are considered residents for Chinese income tax purposes if the place of effective management or control is within the PRC. The implementation rules to the Enterprise Income Tax Law, or EIT Law, provide that non-resident legal entities are considered PRC residents if substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc., occurs within the PRC. Despite the present uncertainties resulting from the limited PRC tax guidance on the issue, the Company does not believe that the legal entities organized outside the PRC should be treated as residents for EIT Law purposes. If the PRC tax authorities subsequently determine that the Company and its subsidiaries registered outside the PRC are deemed resident enterprises, the Company and its subsidiaries registered outside the PRC will be subject to the PRC income tax at a rate of 25%.

If the Company were to be non-resident for PRC tax purposes, dividends paid to it from profits earned by the PRC subsidiaries after January 1, 2008 would be subject to a withholding tax. The CIT law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its non-PRC-resident corporate investor for earnings generated beginning on January 1, 2008. Undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax. The Company has not recognized any deferred tax liability for the undistributed earnings of the PRC-resident enterprise as of December 31, 2014 and 2015, as the Company plans to permanently reinvest these earnings in the PRC. Each of the PRC subsidiaries does not have a plan to pay dividends in the foreseeable future and intends to retain any future earnings for use in the operation and expansion of its business in the PRC.

19. DISTRIBUTION OF PROFIT

Pursuant to the laws and regulations of the PRC, the Company's PRC entities are required to allocate at least 10% of their after tax profits, after making good of accumulated losses as reported in their PRC statutory financial statements, to the general reserve fund and have the right to discontinue allocations to the general reserve fund if the balance of such reserve has reached 50% of their registered capital. The general reserves are not available for distribution to the shareholders (except in liquidation) and may not be transferred in the form of loans, advances, or cash dividend.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

19. DISTRIBUTION OF PROFIT (Continued)

These PRC entities are restricted in their ability to transfer the registered capital and general reserve fund to GDS Holdings in the form of dividends, loans or advances. The restricted portion amounted to RMB1,012,478 and RMB1,323,122 as of December 31, 2014 and 2015, respectively, including non-distributable general reserve fund of nil as of December 31, 2014 and 2015. The parent company financial information of GDS Holdings is disclosed in note 25.

20. LOSS PER SHARE

The computation of basic and diluted loss per share is as follows:

	Years ended December 31,	
	2014	2015
Net loss	129,999	98,584
Extinguishment of redeemable preferred shares upon repurchase and exchange	106,515	—
Change in redemption value of redeemable preferred shares	69,116	110,926
Dividends on redeemable preferred shares (i)	3,509	7,127
Net loss available to ordinary shareholders	309,139	216,637
Weighted average number of ordinary shares outstanding Basic and diluted	162,070,745	217,987,922
Basic and diluted loss per share	1.91	0.99

Note (i): Represents undeclared dividends on redeemable preferred shares that are cumulative and not included in the carrying amount of the redeemable preferred shares.

For the years ended December 31, 2014 and 2015, the following securities were excluded from the computation of diluted loss per share as inclusion would have been anti-dilutive.

	Years ended December 31,	
	2014	2015
Share options	17,463,207	17,193,534
Convertible bonds payable	—	59,692,156
Redeemable preferred shares	349,087,677	349,087,677
Total	366,550,884	425,973,367

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

21. SEGMENT INFORMATION

The Company has one operating segment, which is the design, build-out and operation of data centers. The Company's chief operating decision maker is the chief executive officer of the Company who reviews the Company's consolidated results of operations in assessing performance of and making decisions about allocations to this segment. Accordingly, no reportable segment information is presented.

Substantially all of the Company's operations and assets are in the PRC. Consequently, no geographic information is presented.

22. MAJOR CUSTOMERS

The Company had one customer, which generated over 10% of the Company's total revenues during the years ended December 31, 2014 and 2015. Revenues generated from this customer amounted to approximately RMB125,687 and RMB141,711 in 2014 and 2015, respectively.

23. COMMITMENTS**(a) Capital commitments**

Capital commitments outstanding at December 31, 2014 and 2015 not provided for in the financial statements were as follows:

	As at December 31	
	2014	2015
Contracted for	144,059	272,958

(b) Lease commitments

The Company's lease commitments are disclosed in note 12. In respect of Shenzhen 4 Lease, Shanghai 3 Lease and Shanghai 4 Lease, upon the commencement of the leases in 2016 or upon the completion of the construction of the properties, the total minimum lease payments are RMB1,189,954. The total annual lease payment to be paid, in each of the next five years is RMB8,565, RMB27,919, RMB46,982, RMB50,541 and RMB55,647, respectively.

24. RELATED PARTY TRANSACTION AND BALANCES

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Company entered into the following material related party transactions.

Name of party	Relationship
William Wei Huang (Mr. Huang)	Director and CEO of the Company
STT GDC Pte. Ltd.	Principal preferred shareholder of the Company
Softbank (China) Venture Capital Co., Ltd ("SBCVC")	Principal preferred shareholder of the Company
EDC Holding	SBCVC was a common principal preferred shareholder of both GDS Holdings and EDC Holding prior to the acquisition

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

24. RELATED PARTY TRANSACTION AND BALANCES (Continued)

(a) Major transactions with related parties

		Years ended December 31,	
		2014	2015
Service fees charged by EDC Holding	24(b)(i)	55,869	—
Loans made to EDC Holding	24(b)(i)	307,048	—
Interest income	24(b)(i)	4,296	—
Repurchase of redeemable preferred shares	24(b)(ii)	273,562	—
Loan from a related party	24(b)(iii)	—	64,936
Interest expenses	24(b)(i) 24(b)(iii)	244	2,579

(b) Balances with related parties

Amount due to:	Note	As at December 31	
		2014	2015
SBCVC	ii	23,300	—
STT GDC Pte. Ltd.	iii	—	67,604
		23,300	67,604

(i) Subsequent to the acquisition of EDC Holding by the Company on June 30, 2014, balances and transactions between the Company and EDC Holding are eliminated upon consolidation in the Company's consolidated financial statements as of and for the years ended December 31, 2014 and 2015. Prior to the acquisition, the Company entered into the following transactions with EDC Holding.

In December 2013, the Company made a prepayment of RMB320,000 to EDC Holding under a service agreement where it was a customer of EDC Holding. The prepayment covered a two-year service period from 2014 to 2015. During the six-month period ended June 30, 2014, EDC Holding provided services to the Company amounting to RMB55,869.

During the six-month period ended June 30, 2014, the Company provided loans to EDC Holding amounting to RMB307,048. Interest income on the loans amounted to RMB4,296.

In January 2013, EDC Holding provided a loan of US\$8,000 (RMB49,222) to the Company. During the six-month period ended June 30, 2014, interest expenses on the loan amounted to RMB244.

(ii) In August 2014, the Company repurchased 13,905,901 Series A Shares, 4,403,119 Series A* Shares, 1,640,183 Series B Shares, 7,338,532 Series B1 Shares, 6,643,303 Series B2 Shares and 8,961,143 Series B4 Shares from SBCVC at US\$1.0365 (RMB6.3779) per share, for a cash consideration of US\$44,458 (RMB273,562). As of December 31, 2014, outstanding consideration payable to SBCVC amounted to RMB23,300, which was fully settled in 2015.

(iii) During the year ended December 31, 2015, the Company borrowed a loan of US\$10,000 (RMB64,936) from STT GDC Pte. Ltd., a principal shareholder of the Company. The interest expenses on the loan amounted to US\$397 (RMB2,579).

As of December 31, 2015, the amount due to STT GDC Pte. Ltd. comprised US\$10,000 (RMB64,936) short-term loan and accrued loan interest of US\$397 (RMB2,668). On January 29, 2016, the Company received the second tranche of US\$50,000 (RMB324,475) from STT GDC Pte. Ltd for subscription of Convertible Bonds due 2019, of which US\$10,000 (RMB64,936) was used to settle the outstanding short-term loan of US\$10,000 (RMB64,936).

GDS HOLDINGS LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)
(In thousands, except share data and per share data, or otherwise noted)
25. PARENT ONLY FINANCIAL INFORMATION

The following condensed parent company financial information of GDS Holdings has been prepared using the same accounting policies as set out in the accompanying consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries. As of December 31, 2015, there were no material contingencies, significant provisions of long-term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of GDS Holdings, except for those, which have been separately disclosed in the consolidated financial statements.

Condensed Balance Sheets

	As at December 31	
	2014	2015
Assets		
Current assets		
Cash	8,101	643,926
Total current assets	8,101	643,926
Investment and loans to subsidiaries	2,187,660	2,152,027
Total assets	2,195,761	2,795,953
Liabilities and Shareholders' Deficit		
Current liabilities		
Accrued expenses and other payables	1,948	3,782
Due to subsidiaries	8,699	20,890
Due to a related party	23,300	67,604
Bonds payable	14,340	—
Total current liabilities	48,287	92,276
Convertible bonds payable	—	648,515
Other long-term liabilities	—	353
Total liabilities	48,287	741,144
Redeemable preferred shares (US\$0.00005 par value; 350,561,436 shares authorized; 349,087,677 shares issued and outstanding and aggregate redemption amount of RMB2,029,766 and RMB2,277,059 as of December 31, 2014 and 2015, respectively)	2,164,039	2,395,314
Shareholders' deficit		
Ordinary shares (US\$0.00005 par value; 675,636,564 shares authorized; 217,987,922 shares issued and outstanding as of December 31, 2014 and 2015, respectively)	76	76
Additional paid-in capital	410,486	303,621
Accumulated other comprehensive income (loss)	56,542	(61,949)
Accumulated deficit	(483,669)	(582,253)
Total shareholders' deficit	(16,565)	(340,505)
Commitments and contingencies		
Total liabilities, redeemable preferred shares and shareholders' deficit	2,195,761	2,795,953

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

25. PARENT ONLY FINANCIAL INFORMATION (Continued)

Condensed Statements of Operations

	Years ended December 31,	
	2014	2015
Net revenue	—	—
Cost of revenue	—	—
Gross profit	—	—
Operating expenses		
Selling and marketing expenses	(2,387)	(1,566)
General and administrative expenses	(32,166)	(14,665)
Loss from operations	(34,553)	(16,231)
Other income (expenses):		
Interest income	80	—
Interest expenses	(35,192)	(3,297)
Gain on remeasurement of equity investment	62,506	—
Equity in loss of subsidiaries	(122,742)	(79,056)
Others, net	(98)	—
Loss before income taxes	(129,999)	(98,584)
Income tax expenses	—	—
Net loss	(129,999)	(98,584)

Condensed Statements of Comprehensive Loss

	Years ended December 31,	
	2014	2015
Net loss	(129,999)	(98,584)
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of nil tax	4,114	(118,491)
Comprehensive loss	(125,885)	(217,075)

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

25. PARENT ONLY FINANCIAL INFORMATION (Continued)

Condensed Statements of Cash Flows

	Years ended December 31,	
	2014	2015
Operating activities:		
Net cash used in operating activities	(6,609)	(4,895)
Investing activities:		
Investment in a subsidiary	(92,300)	—
Increase of due from subsidiaries	(925,539)	(93,101)
Net cash used in investing activities	(1,017,839)	(93,101)
Financing activities:		
Proceeds from issuance of convertible bonds payable	—	648,950
Proceeds from issuance of bonds payable	114,950	—
Repayment of bonds payable	(4,081)	(14,330)
Loan received from a related party	—	64,936
Proceeds from issuance of Series C redeemable preferred shares	1,521,295	—
Payment of issuance costs for Series C redeemable preferred shares	(20,128)	—
Repurchase of ordinary shares	(119,664)	—
Repurchase of redeemable preferred shares	(455,366)	(23,300)
Net cash provided by financing activities	1,037,006	676,256
Effect of exchange rate changes on cash	(4,459)	57,565
Net increase in cash	8,099	635,825
Cash at beginning of year	<u>2</u>	<u>8,101</u>
Cash at end of year	<u>8,101</u>	<u>643,926</u>
Supplemental disclosures of cash flow information		
Interest paid	1,317	3,463
Supplemental disclosures of non-cash investing and financing activities		
Issuance of ordinary shares in exchange of bonds payable	205,536	—
Issuance of ordinary and preferred shares for the acquisition of EDC Holding	1,184,242	—

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

26. SUBSEQUENT EVENTS

(a) **Receipt of proceeds from the second tranche of Convertible Bonds due 2019**

On January 29, 2016, the Company received the second tranche of US\$50,000 (RMB324,475) from STT GDC Pte. Ltd. for subscription of Convertible Bonds due 2019, of which US\$10,000 (RMB64,936) was used to settle an outstanding short-term loan due to STT GDC Pte. Ltd.

(b) **2016 Internal Restructuring**

During the periods presented, the Company primarily conducted its operations through GDS Suzhou.

In order to adapt to the new regulatory requirements in China, the Company completed an internal restructuring on April 13, 2016 (the "2016 Variable Interest Entity Restructuring") whereby GDS Suzhou was converted into a PRC domestic company that is wholly owned GDS Beijing. The conversion of GDS Suzhou into a PRC domestic company was accomplished by way of transferring all of the equity interests in GDS Suzhou to GDS Beijing. In connection with the internal restructuring, the VIE Agreements between GDS Beijing and GDS Suzhou were terminated and concurrently, new contractual arrangements were entered into between GDS Beijing and GDS Management Company, a newly-established subsidiary of the Company. The terms of the new contractual arrangements between GDS Beijing and GDS Management Company are identical to the terms of the VIE Agreements between GDS Beijing and GDS Suzhou. The 2016 Variable Interest Entity Restructuring was completed on April 13, 2016. The Company continues to be the primary beneficiary of the VIEs following the completion of the internal restructuring.

Since the entities involved in the 2016 Variable Interest Entity Restructuring are all under common control and the Company is the primary beneficiary of GDS Beijing at the time of transfer, the net assets of GDS Suzhou transferred to GDS Beijing is recorded at the same amounts at which the assets and liabilities would have been measured if they had not been transferred. That is, no gain or loss is recognized because of such transfer.

The following is a summary of the contractual arrangements entered among the GDS Management Company, the VIEs, and the shareholders of the VIEs.

Equity Interest Pledge Agreements. Pursuant to the equity interest pledge agreements, each shareholder of the VIEs has pledged all of his or her equity interest in the VIEs as a continuing first priority security interest, as applicable, to respectively guarantee the VIEs and their shareholders' performance of their obligations under the relevant contractual arrangement, which include the exclusive technology license and service agreement, loan agreement, exclusive call option agreement, and shareholder voting rights proxy agreement. If the VIEs or any of their shareholders breach their contractual obligations under these agreements, GDS Management Company, as pledgee, will be entitled to certain rights regarding the pledged equity interests, including receiving proceeds from the auction or sale of all or part of the pledged equity interests of the VIEs in accordance with PRC law. Each of the shareholders of the VIEs agrees that, during the term of the equity interest pledge agreements, he or she will not dispose of the pledged equity interests or create or allow creation of any encumbrance on the pledged equity interests without the prior written consent of GDS Management Company. The equity interest pledge agreements remain effective until the VIEs and their shareholders discharge all their obligations under the contractual arrangements.

Shareholder Voting Rights Proxy Agreement. Pursuant to the shareholder voting rights proxy agreements, each shareholder of the VIEs has irrevocably appointed the PRC citizen(s) as designated by

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

26. SUBSEQUENT EVENTS (Continued)

GDS Management Company to act as such shareholder's exclusive attorney-in-fact to exercise all shareholder rights, including, but not limited to, voting on all matters of the VIEs requiring shareholder approval, disposing of all or part of the shareholder's equity interest in the VIEs, and appointing directors and executive officers. GDS Management Company is also entitled to change the appointment by designating another PRC citizen(s) to act as exclusive attorney-in-fact of the shareholders of the VIEs with prior notice to such shareholders. Each shareholder voting rights proxy agreement will remain in force for so long as the shareholder remains a shareholder of the VIE.

Exclusive Technology License and Service Agreements. Under the exclusive technology license and service agreements, GDS Management Company licenses certain technology to the VIEs and GDS Management Company has the exclusive right to provide the VIEs with technical support, consulting services and other services. Without GDS Management Company's prior written consent, the VIEs agree not to accept the same or any similar services provided by any third party. The VIEs agree to pay service fees on a yearly basis and at an amount equivalent to all of its net profits as confirmed by GDS Management Company. GDS Management Company owns the intellectual property rights arising out of its performance of these agreements. In addition, the VIEs have granted GDS Management Company an exclusive right to purchase or to be licensed with any or all of the intellectual property rights of the VIEs at the lowest price permitted under PRC law. Unless otherwise agreed by the parties, these agreements will continue to remain effective at all times.

Intellectual Property Rights License Agreement. Pursuant to an intellectual property rights license agreement between GDS Management Company and GDS Shanghai, GDS Shanghai has granted GDS Management Company an exclusive license to use for free any or all of the intellectual property rights owned by GDS Shanghai from time to time, and without the parties' prior written consent, GDS Shanghai cannot take any actions, including without limitation to, transferring or licensing outside its ordinary course of business any intellectual property rights to any third parties, which may affect or undermine GDS Management Company's use of the licensed intellectual property rights from GDS Shanghai. The parties have also agreed under the agreement that GDS Management Company should own the new intellectual property rights developed by it regardless whether such development is dependent on any of the intellectual property rights owned by GDS Shanghai. This agreement can only be early terminated by prior mutual consent of the parties and need to be renewed upon GDS Management Company's unilateral request.

Exclusive Call Option Agreements. Pursuant to the exclusive call option agreements, the shareholders of the VIEs have irrevocably granted GDS Management Company an exclusive option to purchase, or have its designated person or persons to purchase, at its discretion, to the extent permitted under PRC law, all or part of such shareholders' equity interests in the VIEs. The purchase price should equal to the minimum price required by PRC law or such other price as may be agreed by the parties in writing. Without GDS Management Company's prior written consent, the shareholders of the VIEs have agreed that the VIEs shall not amend the articles of association, increase or decrease the registered capital, sell or otherwise dispose of their assets or beneficial interest, create or allow any encumbrance on their assets or other beneficial interests, provide any loans, or distribute dividends to the shareholders. These agreements will remain effective until all equity interests of the VIEs have been transferred or assigned to GDS Management Company or its designated person(s).

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

26. SUBSEQUENT EVENTS (Continued)

Loan Agreements. Pursuant to the loan agreements between GDS Management and the shareholders of the VIEs, GDS Management agrees to extend loans in an aggregate amount of RMB310,100 to the shareholders of the VIEs solely for their capitalization or equity contribution into the VIEs. Pursuant to the loan agreements, GDS Management Company has the right to require repayment of the loans upon delivery of thirty-day's prior notice to the shareholders, and the shareholders can repay the loans by either sale of their equity interests in the VIEs to GDS Management Company or its designated person(s) pursuant to their respective exclusive option agreements, or other methods as determined by GDS Management Company pursuant to its articles of association and the applicable PRC laws and regulations.

Under the terms of the VIE Agreements, the Company has (i) the right to receive service fees on a yearly basis at an amount equivalent to all of the net profits of the VIEs under the exclusive technology license and services agreements when such services are provided; (ii) the right to receive all dividends declared by the VIEs and the right to all undistributed earnings of the VIEs; (iii) the right to receive the residual benefits of the VIEs through its exclusive option to acquire 100% of the equity interests in the VIEs, to the extent permitted under PRC law; and (iv) the right to require each of the shareholder of the VIEs to appoint the PRC citizen(s) as designated by GDS Management Company to act as such shareholder's exclusive attorney-in-fact to exercise all shareholder rights, including, but not limited to, voting on all matters of the VIEs requiring shareholder approval, disposing of all or part of the shareholder's equity interest in the VIEs, and appointing directors and executive officers.

(c) Acquisition of WTENG

On May 19, 2016, the Company, through GDS Beijing, acquired all of the equity interests in Guangzhou Weiteng Construction Co., Ltd. ("WTENG") from a third party for an aggregate purchase price of RMB129,500, subject to adjustment, if any, pursuant to the terms and conditions of the equity purchase agreement. WTENG is a limited liability company organized and existing under the PRC law and owns a data center project in Guangzhou. At the date of acquisition, the data center has just commenced its operations. After the acquisition, WTENG became a wholly-owned subsidiary of the Company. The initial accounting for this acquisition is incomplete as the acquisition was completed at a date that was just prior to the issuance of the consolidated financial statements. Management does not believe this acquisition is significant as measured by the assets or pre-tax earnings (loss) of the acquiree as a percentage of the Company's consolidated assets or pre-tax earnings (loss), respectively.

(d) Share options grant

On May 1, 2016, the Company granted 11,084,840 share options to employees, officers and directors. These share options were fully vested upon the date of grant for past services and had an exercise price of US\$0.7792 (RMB 5.0328) per option. The options have a contractual term of five years. The Company is evaluating the fair values of its ordinary share and the share options. Based on the Company's best estimate, the estimated fair value of its ordinary share on the date of the grant was approximately US\$1.6 (RMB10.3342) per share and total share-based compensation expenses to be recognized is approximately RMB62,000. Upon completion of the fair value analysis, management will revise these estimates and such revisions are not expected to be materially different from these current estimates.

GDS HOLDINGS LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands, except share data and per share data, or otherwise noted)

26. SUBSEQUENT EVENTS (Continued)

Management has considered subsequent events through May 20, 2016, which was the date these consolidated financial statements were issued.

27. PRO FORMA INFORMATION (UNAUDITED)

Each Series A, A*, B, B1, B2, B4, B5 and C redeemable preferred shares is automatically converted into one ordinary share upon the consummation of a Qualified IPO. The pro forma shareholder equity as of December 31, 2015 presents the shareholder equity as if the conversion of the redeemable preferred shares into ordinary shares occurred on December 31, 2015 (excluding effects of offering proceeds).

	As at December 31, 2015	
	Actual	Pro forma
Redeemable preferred shares	2,395,314	—
Shareholders' (deficit) equity		
Ordinary shares	76	189
Additional paid-in capital	303,621	2,698,822
Accumulated other comprehensive loss	(61,949)	(61,949)
Accumulated deficit	(582,253)	(582,253)
Total shareholders' (deficit) equity	<u>(340,505)</u>	<u>2,054,809</u>

On a pro forma basis, upon conversion, the carrying amounts of the Series A, A*, B, B1, B2, B4, B5 and C redeemable preferred shares as of December 31, 2015, in the amount of RMB107,428, RMB39,575, RMB16,789, RMB80,148, RMB67,419, RMB87,477, RMB258,038 and RMB1,738,440, respectively are classified in shareholders' equity under ordinary shares (for the par value) and additional paid-in capital (for the excess of the carrying value of the redeemable preferred shares over the par value).

Pro forma loss per share is not presented because the effect of the conversion of the outstanding redeemable preferred shares using a conversion ratio of 1:1 would not have resulted in a pro forma net loss per share greater than the actual basic net loss per share for the year ended December 31, 2015.

EDC HOLDING LIMITED AND SUBSIDIARIES

Consolidated Financial Statements

Six-month Period Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
EDC Holding Limited:

Report on the Financial Statements

We have audited the accompanying consolidated statement of comprehensive loss and the consolidated statement of cash flows of EDC Holding Limited and subsidiaries for the six-month period ended June 30, 2014, and the related notes (the consolidated financial statements).

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above presents fairly, in all material respects, the results of the operations and the cash flows of EDC Holding Limited and subsidiaries for the six-month period ended June 30, 2014 in accordance with U.S. generally accepted accounting principles.

/s/ KPMG Huazhen LLP

Shanghai, China
May 20, 2016

EDC HOLDING LIMITED AND SUBSIDIARIES
Consolidated Statement of Comprehensive Loss
(In thousands)

	Note	Six-month period ended June 30, 2014
Net revenue (including net revenue from related parties of RMB60,723)	4	67,257
Cost of revenue		(75,746)
Gross loss		(8,489)
Operating expenses		
Selling and marketing expenses		(4,112)
General and administrative expenses		(24,134)
Loss from operations		(36,735)
Other income (expenses):		
Interest income		924
Interest expenses		(29,940)
Foreign currency exchange gain, net		192
Government grants		1,630
Gain on remeasurement of equity investment	3	5,568
Loss before income taxes		(58,361)
Income tax expenses	5	—
Net loss		(58,361)
Other comprehensive loss:		
Foreign currency translation adjustments, net of nil tax		(2,648)
Comprehensive loss		(61,009)

See accompanying notes to consolidated financial statements.

EDC HOLDING LIMITED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

(In thousands)

	Six-month period ended June 30, 2014
Cash flows from operating activities:	
Net loss	(58,361)
Adjustments to reconcile net loss to net cash used in operating activities:	
Depreciation and amortization	35,212
Net gain on disposal of property and equipment	(1,109)
Gain on remeasurement of equity investment	(5,568)
Changes in operating assets and liabilities, net of effect of an acquisition:	
Decrease of accounts receivable	192
Increase of due from related parties	(6,360)
Decrease of value added tax recoverable	109
Increase of prepaid expenses	(140)
Decrease of other current assets	13,394
Increase of other non-current assets	(755)
Decrease of accounts payable	(8,767)
Decrease of due to related parties	(65,367)
Increase of deferred revenue	581
Increase of accrued expenses and other payables	19,841
Decrease of other long-term liabilities	(97)
Net cash used in operating activities	(77,195)

See accompanying notes to consolidated financial statements.

EDC HOLDING LIMITED AND SUBSIDIARIES
Consolidated Statement of Cash Flows (Continued)
(In thousands)

	Six-month period ended June 30, 2014
Cash flows from investing activities:	
Payments for purchase of property and equipment	(157,453)
Cash acquired from the acquisition of MPI	3,677
Proceeds from sale of property and equipment	8,128
Net cash used in investing activities	(145,648)
Cash flows from financing activities:	
Proceeds from short-term borrowings	30,000
Repayment of short-term borrowings	(8,000)
Repayment of long-term borrowings	(43,682)
Proceeds from loans from a related party	307,048
Repayment of loan from a related party	(24,388)
Payment under capital lease obligations	(11,398)
Net cash provided by financing activities	249,580
Effect of exchange rate changes on cash	1,578
Net increase in cash	28,315
Cash at beginning of period	12,684
Cash at end of period	40,999
Supplemental disclosures of cash flow information	
Interest paid	19,867
Income tax paid	—
Supplemental disclosures of non-cash investing activities	
Payables for purchase of property and equipment	117,258
Consideration payable for the acquisition of MPI	13,592

See accompanying notes to consolidated financial statements.

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(In thousands)

1. DESCRIPTION OF BUSINESS, ORGANIZATION AND BASIS OF PRESENTATION

(a) Description of business

EDC Holding Limited ("EDC Holding") was incorporated in the Cayman Islands on August 21, 2008. EDC Holding and its consolidated subsidiaries (collectively referred to as "the Company") are principally engaged in providing colocation services in the People's Republic of China (the "PRC"). During the six-month period ended June 30, 2014, the Company's total revenue was primarily from related parties (see note 8).

On June 30, 2014, GDS Holdings Limited ("GDS Holdings") issued its equity interests to acquire all the ordinary and preferred equity interests in the Company from the shareholders of the Company. On that date, GDS Holdings obtained control to govern the financial and operational policies of the Company and obtain benefits from the activities of the Company.

(b) Basis of presentation

The accompanying consolidated statement of comprehensive loss and consolidated statement of cash flows for the six-month period ended June 30, 2014 have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"). The accompanying consolidated financial statements is not a full set of financial statements, as a consolidated balance sheet and a consolidated statement of changes in equity, and the related notes are not presented.

The Company has prepared the accompanying consolidated financial statements to fulfil the rules and requirements of S-X Rule 3-05 of the Securities and Exchange Commission ("SEC") in connection with GDS Holdings' filing of its initial registration statement with the SEC. Pursuant to S-X Rule 3-05, the period of time in which the results of operations of the Company are included in GDS Holdings' audited statements of operations may be applied to reduce the number of periods for which pre-acquisition statements of operations of the Company are required. Upon the acquisition of the Company by GDS Holdings, the results of operations of the Company are included in GDS Holdings' audited consolidated financial statements for the two-year period ended December 31, 2015, which are included elsewhere herein.

The consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

The accompanying consolidated financial statements include the financial statements of EDC Holding Limited and its subsidiaries. All significant intercompany balances and transactions are eliminated in consolidation. As of January 1, 2014 and the six-month period ended, the Company had no involvement nor held any variable interest in a variable interest entity.

(b) Use of estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include, but are not limited to, the useful lives of long-lived assets, the fair values of assets acquired and liabilities assumed in a business combination, the allowance for doubtful accounts receivable, the realization of deferred income tax assets, the recoverability of long-lived assets and the fair value of the asset retirement obligation. Changes in facts and circumstances may result in revised estimates. Actual results could differ from those estimates, and as such, differences may be material to the consolidated financial statements.

(c) Cash and cash equivalent

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Company does not have any cash equivalents as of June 30, 2014.

(d) Restricted cash

Restricted cash represents amounts held by banks, which are not available for the Company's use, as security for issuance of commercial acceptance notes relating to purchase of property and equipment, letters of guarantee or bank borrowings. Upon maturity of the commercial acceptance notes, letters of guarantee and repayment of bank borrowings, the deposits are released by the bank and become available for general use by the Company. Restricted cash is reported within cash flows from operating, investing or financing activities in the consolidated statement of cash flows with reference to the purpose of the restriction.

(e) Fair value of financial instruments

The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The Company determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

As of and during the six-month period, the Company had no financial asset and financial liability that was recognized at fair value on a recurring basis. The Company's non-financial assets, which include long-lived assets, intangible assets, and property and equipment are reported at carrying value and are not required to be measured at fair value on a recurring basis. When an impairment has occurred, such assets are written down to their estimated fair value.

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Accounts receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. Amounts collected on trade accounts receivable are included in net cash provided by operating activities in the consolidated statement of cash flows. The Company maintains an allowance for doubtful accounts for estimated losses inherent in its accounts receivable portfolio. In establishing the required allowance, management considers historical losses adjusted to take into account current market conditions and customers' financial condition, the amount of receivables in dispute, and the current receivables aging and current payment patterns. The Company reviews its allowance for doubtful accounts on a customer-by-customer basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

No allowance for doubtful accounts was recorded for the six-month period ended June 30, 2014. Management believes all accounts receivable as of June 30, 2014 are expected to be collected in full.

(g) Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any recorded impairment. Property and equipment under capital leases are stated at the present value of minimum lease payments.

Gains or losses arising from the disposal of an item of property and equipment are determined based on the difference between the net disposal proceeds and the carrying amount of the item and are recognized in profit or loss on the date of disposal.

The estimated useful lives are presented below.

Buildings	20 - 30 years
Data center equipment	
—Machinery	10 - 20 years
—Other equipment	3 - 5 years
Leasehold improvement	Shorter of the lease term and the estimated useful lives of the assets
Furniture and office equipment	3 - 5 years
Vehicles	5 years

Construction in progress includes the cost of buildings and the related construction expenditures that are required to prepare the buildings for their intended use.

No depreciation is provided in respect of construction in progress until it is substantially completed and ready for its intended use. Once a building is ready for its intended use and becomes operational, construction in progress is allocated to the property and equipment categories and is depreciated over the estimated useful life of the underlying assets.

Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. For assets acquired under a capital lease, the assets are amortized in a manner consistent with the Company's normal depreciation policy for owned assets if the lease

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

transfers ownership to the Company by the end of the lease term or contains a bargain-purchase-option. Otherwise, assets acquired under a capital lease are amortized over the lease term.

Depreciation of property and equipment (including assets acquired under capital leases) was RMB34,984 for the six-month period ended June 30, 2014, and included in the following captions:

	Six-month period ended June 30, 2014
Cost of revenue	34,654
General and administrative expenses	330
	<u>34,984</u>

(h) Leases

Leases are classified at the inception date as either a capital lease or an operating lease. A lease is a capital lease if any of the following conditions exists: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life, or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. The Company records a capital lease as an asset and an obligation at an amount equal to the present value at the beginning of the lease term of minimum lease payments during the lease term. The Company's capital lease assets primarily consist of buildings.

The weighted average effective interest rate of the Company's capital leases was 7.17% as of June 30, 2014.

Rental costs on operating leases is charged to expense on a straight-line basis over the lease term. Certain operating leases contain rent holidays and escalating rent. Rent holidays and escalating rent are considered in determining the straight-line rent expense to be recorded over the lease term.

Rental costs associated with building operating leases that are incurred during the construction of leasehold improvements and to otherwise ready the property for the Company's intended use are recognized as rental expenses and are not capitalized.

Rental expenses were RMB7,250 for the six-month period ended June 30, 2014. The Company did not sublease any of its operating leases for the period presented.

(i) Asset retirement costs

The Company's asset retirement obligations are primarily related to its buildings, of which the majority are leased under long-term arrangements, and, in certain cases, are required to be returned to the landlords in their original condition.

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred. The corresponding asset retirement costs are capitalized as part of the cost of leasehold improvements and are depreciated over the shorter of the asset or the term of the lease. Subsequent to the initial measurement, the Company accretes the liability in relation to the asset retirement

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

obligations over time and the accretion expense is recorded in cost of revenue. During the six-month period ended June 30, 2014, the Company recorded accretion expenses of RMB73.

(j) **Intangible assets**

The intangible asset acquired in the acquisition of Megaport International Limited ("MPI") was customer relationship.

The weighted-average amortization period of the customer relationship ranged from 5 to 6 years.

Customer relationship represents the orders, backlog and customer lists, which arise from contractual rights or through means other than contracts. Customer relationship is amortized using a straight-line method as the pattern in which the economic benefits of the intangible assets are consumed or used up cannot be reliably determined.

The amortization expense of intangible assets was immaterial for the six-month period ended June 30, 2014 as the acquisition of MPI was completed in June 2014.

(k) **Prepaid land use rights**

The land use rights represent the amounts paid and relevant costs incurred for the rights to use land in the PRC and are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the term of the land use right of 50 years.

Amortization of prepaid land use rights was RMB228 for the six-month period ended June 30, 2014.

(l) **Goodwill**

Goodwill is an asset representing the future economic benefits arising from other assets acquired in the acquisition of MPI that are not individually identified and separately recognized.

Goodwill is not amortized but is tested for impairment annually on December 31 or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is tested for impairment at the reporting unit level on an annual basis and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. These events or circumstances could include a significant change in the stock prices, business climate, legal factors, operating performance indicators, competition, or sale or disposition of a significant portion of a reporting unit. Application of the goodwill impairment test requires judgment, including the identification of the reporting unit, assignment of assets and liabilities to the reporting unit, assignment of goodwill to the reporting unit, and determination of the fair value of each reporting unit. Estimating fair value is performed by utilizing various valuation techniques, with a primary technique being a discounted cash flow which requires significant judgments, including estimation of future cash flows, which is dependent on internal forecasts, estimation of the long term rate of growth for the Company's business, estimation of the useful life over which cash flows will occur, and determination of the Company's weighted average cost of capital.

The Company has the option to perform a qualitative assessment to determine whether it is more-likely-than not that the fair value of a reporting unit is less than its carrying value prior to

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

performing the two-step goodwill impairment test. If it is more-likely-than-not that the fair value of a reporting unit is greater than its carrying amount, the two-step goodwill impairment test is not required. If the two-step goodwill impairment test is required, first, the fair value of the reporting unit is compared with its carrying amount (including goodwill). If the fair value of the reporting unit is less than its carrying amount, an indication of goodwill impairment exists for the reporting unit and the entity must perform step two of the impairment test (measurement). Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation and the residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying amount, step two does not need to be performed. No impairment of goodwill was recognized for the six-month period ended June 30, 2014.

(m) Impairment of long-lived assets

Long-lived assets, such as property and equipment, intangible assets subject to amortization and prepaid land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. No impairment losses were recorded for long-lived assets for the six-month period ended June 30, 2014.

(n) Interest-bearing borrowings

The weighted average interest rates of short-term borrowings and long-term borrowings were 6.00% and 6.77% per annum for the six-month period ended June 30, 2014, respectively.

(o) Commitment and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

(p) Revenue recognition

The Company recognizes revenue from colocation services when services have been rendered, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed or determinable. During the six-month period ended June 30, 2014, the Company's revenues were from the provision of colocation services.

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Colocation services are services where the Company provides space, power and cooling to customers for housing and operating their IT system equipment in the Company's service centers. Colocation services are provided to customers for a fixed amount over the contract period, ranging from 1 to 5 years. The Company bills the customers monthly in equal instalments.

Revenues from colocation services are recognized on a proportional performance basis over the term of the contract. The Company has determined that its performance pattern to be straight line since the customer receives value as the services are rendered continuously during the term of the contract, the earning process is straight-line, and there is no other discernible performance pattern of recognition.

Cash received in advance from customers prior to delivery of the colocation services is initially recorded as deferred revenue.

Value-added taxes collected from customers and remitted to governmental authorities are excluded from revenues in the consolidated statement of comprehensive loss.

(q) **Cost of revenues**

Cost of revenues consists primarily of utility costs, depreciation of property and equipment, rental costs, labor costs and other costs directly attributable to the provision of the service revenue.

(r) **Start-up costs**

Pre-operating or start-up costs incurred prior to operations of a service center are expensed as incurred and consist primarily of rental costs of operating leases of buildings during the construction of leasehold improvements and other miscellaneous costs incurred prior to the operation of the service centers. For the six-month period ended June 30, 2014, start-up costs amounting to RMB4,926 was included in general and administrative expenses.

(s) **Government grants**

Government grants are recognized when received and when all the conditions for their receipt have been met. Subsidies that compensate the Company for expenses incurred are recognized as a reduction of expenses in the consolidated statement of comprehensive loss. Subsidies that are not associated with expenses are recognized as other income. Subsidies for obtaining the rights to use land are recorded as a liability and then amortized over the land use right period as a reduction of the amortization charges of the related land use rights.

(t) **Capitalized interest**

Interest costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of that asset. The capitalization of interest costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, interest costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization of

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

interest costs is ceased when the asset is substantially complete and ready for its intended use. No interest was capitalized for the six-month period ended June 30, 2014.

(u) Income tax

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company records interest related to unrecognized tax benefits in interest expense and penalties in general and administrative expenses.

(v) Employee benefits

Pursuant to relevant PRC regulations, the Company is required to make contributions to various defined contribution plans organized by municipal and provincial PRC governments. The contributions are made for each PRC employee at rates ranging from 31.4% to 49% on a standard salary base as determined by the local social security bureau. Contributions to the defined contribution plans are charged to the consolidated statement of comprehensive loss when the related service is provided.

(w) Foreign currency translation and foreign currency risks

The functional currency of EDC Holding is the USD, whereas the functional currency of its PRC subsidiaries is the RMB.

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognized in profit or loss and are reported in foreign currency exchange (loss) gain on a net basis.

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the years. The resulting foreign currency translation adjustments are reported in other comprehensive income in the statement of comprehensive loss and accumulated in the translation adjustment component of equity until the sale of the foreign entity. During the six-month period ended June 30, 2014, there was no sale or liquidation of foreign entities, and therefore there was no reclassification adjustment during the period.

(x) Concentration of credit risk

Financial instruments that potentially expose the Company to concentrations of credit risk consist principally of cash and cash equivalent, restricted cash, and accounts receivable. The Company's investment policy requires cash and cash equivalents to be placed with high-quality financial institutions and to limit the amount of credit risk from any one issuer. The Company regularly evaluates the credit standing of the counterparties or financial institutions.

The Company conducts credit evaluations on its customers prior to delivery of services. The assessment of customer creditworthiness is primarily based on historical collection records, research of publicly available information and customer on-site visits by senior management. Based on this analysis, the Company determines what credit terms, if any, to offer to each customer individually. If the assessment indicates a likelihood of collection risk, the Company will not render services to the customer or require the customer to pay cash, post letters of credit to secure payment or to make significant down payments. Historically, no credit losses on accounts receivable were incurred.

(y) Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"). This ASU requires companies to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which companies expect to be entitled in exchange for those goods or services. This ASU will replace most existing revenue recognition guidance in GAAP when it becomes effective. This ASU was originally effective for fiscal years and interim periods beginning after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers ("ASU 2015-14"), which amends ASU 2014-09 and defers its effective date to fiscal years and interim reporting periods beginning after December 15, 2017. ASU 2015-14 permits earlier application only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact that the adoption of these standards will have on its consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update ("ASU") 2016-02, Leases (Topic 842) ("ASU 2016-02"). Under the new guidance, lessees will be required to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use asset, which is an asset that represents the lessee's right to use, or control the

EDC HOLDING LIMITED AND SUBSIDIARIES

Notes to Consolidated Financial Statements (Continued)

(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Certain targeted improvements were made to align, where necessary, lessor accounting with the lessee accounting model and Topic 606, Revenue from Contracts with Customers. The new lease guidance simplified the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. ASU 2016-02 is effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this standard will have on its consolidated financial statements.

3. BUSINESS COMBINATION

In June 2014, immediately before the consummation of the acquisition of the Company by GDS Holdings, the Company acquired MPI. MPI is engaged in the provision of colocation services in Hong Kong. Prior to the acquisition, the Company held non-controlling equity interests in MPI. In June 2014, the Company acquired the remaining equity interests in MPI it did not already own for a cash consideration payable of US\$2,209 (RMB13,592). In August 2014, the cash consideration payable to the selling shareholders of MPI was repaid. The Company recognized a gain from the re-measurement of its previously held non-controlling equity interests in the amount of RMB5,568. The fair value of the previous held non-controlling equity interest was determined by management with the assistance of a third party appraiser. The assets acquired of RMB15,699 consisted primarily of cash of RMB3,677, intangible assets of RMB4,922 and other assets of RMB7,100. Liabilities assumed of RMB6,699 consisted primarily of accrued expenses and other payable of RMB2,658 and other liabilities of RMB4,041. A goodwill of RMB27,679 was recognized on the acquisition date and was not tax deductible. At the acquisition date, the Company had an amount due from MPI of RMB18,591 for services it provided to MPI and for expenses it paid on behalf of MPI. The Company also had an amount due to MPI of RMB1,072. No gain or loss was recognized for the effective settlement of such pre-existing balances between the Company and MPI. Acquisition-related costs were immaterial and were recorded in general and administrative expenses.

The following unaudited supplemental pro forma information presents the net revenues and net loss of the combined entity as if the business combination had occurred on January 1, 2014. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would remain the same as if the acquisition had occurred on January 1, 2014.

	Pro forma six-month period ended June 30, 2014 (Unaudited)
Net revenue	71,557
Net loss	68,204

EDC HOLDING LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

(In thousands)

4. NET REVENUE

Net revenue consisted of the following:

	Six-month period ended June 30, 2014
Colocation services	<u>67,257</u>

5. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands, EDC Holding is not subject to any income or withholding tax in the Cayman Islands.

The PRC subsidiaries are subject to the PRC Corporate Income Tax ("CIT") rate of 25%. The CIT law and its relevant regulations impose a withholding tax at 10%, unless reduced by a tax treaty or agreement, for dividends distributed by a PRC-resident enterprise to its non-PRC-resident corporate investor for earnings generated beginning on January 1, 2008. Undistributed earnings generated prior to January 1, 2008 are exempt from such withholding tax.

No provision for Hong Kong Profits Tax was made for the subsidiaries located in Hong Kong as the subsidiaries did not have assessable profits subject to Hong Kong Profits Tax for the six-month period ended June 30, 2014. The payments of dividends by Hong Kong companies are not subject to any Hong Kong withholding tax.

The operating results before income tax and the provision for income taxes by tax jurisdictions for the six-month period ended June 30, 2014 are as follows:

	Six-month period ended June 30, 2014
Loss (income) before income taxes:	
PRC	62,135
Other jurisdictions	<u>(3,774)</u>
Total loss before income taxes	<u>58,361</u>
Current tax expenses:	
PRC	—
Other jurisdictions	—
Total current tax expenses	—
Deferred tax expenses:	
PRC	—
Other jurisdictions	—
Total deferred tax expenses	—
Total income taxes expenses	<u>—</u>

EDC HOLDING LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

(In thousands)

5. INCOME TAX (Continued)

The actual income tax expense reported in the consolidated statement of comprehensive loss for the six-month period ended June 30, 2014 differs from the amount computed by applying the PRC statutory income tax rate to loss before income taxes due to the following:

	Six-month period ended June 30, 2014
PRC enterprise income tax rate	25.0%
Tax differential for entities in non-PRC jurisdiction	1.6%
Change in valuation allowance	(26.6%)
	<u>0.0%</u>

During the six-month period ended June 30, 2014, the Company recorded additional valuation allowance of RMB11,832, primarily related to the deferred tax assets for temporary differences and net operating losses of certain subsidiaries in PRC and Hong Kong. As of June 30, 2014, these entities were in a cumulative loss position, which is a significant negative indicator to overcome that sufficient income will be generated over the periods in which the deferred income tax assets are deductible or utilized. Management considers projected future taxable income and tax planning strategies in making this assessment.

6. MAJOR CUSTOMERS

GDS Holdings is a major customer of the Company. Revenue from GDS Holdings was RMB55,869 or 83% of the Company's total revenue during the six-month period ended June 30, 2014.

7. COMMITMENTS

(a) Operating leases commitments

The Company leases buildings, offices and other equipment that are classified as operating leases. The majority of the Company's operating leases expire at various dates though 2019.

Future minimum operating lease payments as of June 30, 2014 are summarized as follow:

Year ending June 30,	
2015	37,285
2016	33,937
2017	33,419
2018	32,189
2019	23,384
Thereafter	352,687
Total	<u>512,901</u>

EDC HOLDING LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

(In thousands)

7. COMMITMENTS (Continued)

(b) Capital leases commitments

The Company's capital lease obligations as of June 30, 2014 are summarized as follows:

	<u>Total minimum lease payments</u>
Within 1 year	36,678
After 1 year but within 2 years	36,678
After 2 years but within 3 years	37,366
After 3 years but within 4 years	40,846
After 4 years but within 5 years	40,846
After 5 years	313,845
Sub-total	<u>506,259</u>
Less: total future interest expenses	(171,365)
Present value of lease obligations	<u>334,894</u>

8. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the Company entered into the following related party transactions.

<u>Name of party</u>	<u>Relationship</u>
Softbank (China) Venture Capital Co., Ltd ("SBCVC")	Principal preferred shareholder of the Company
GDS Holdings	SBCVC was a common principal preferred shareholder of both GDS Holdings and EDC Holding prior to the acquisition
MPI	SBCVC was a common principal preferred shareholder of both EDC Holding and MPI prior to the acquisition

EDC HOLDING LIMITED AND SUBSIDIARIES
Notes to Consolidated Financial Statements (Continued)

(In thousands)

8. RELATED PARTY TRANSACTIONS (Continued)

(a) Major transactions with related parties

		Six-month period ended June 30, 2014
Services provided to MPI	(i)	4,854
Expenses paid by the Company on behalf of MPI	(i)	1,506
Services provided to GDS Holdings	(ii)	55,869
Loans from GDS Holdings	(iii)	307,048
Interest expenses	(iii)	4,296
Interest income	(iv)	244
Repayment of a loan from SBCVC	(v)	24,388

- (i) During the six-month period ended June 30, 2014, the Company provided services to MPI amounting to RMB4,854 and paid miscellaneous expenses of RMB1,506 on behalf of MPI.
- (ii) In December 2013, the Company received a payment in advance of RMB320,000 from GDS Holdings under a colocation service agreement. The prepayment covered a two-year service period from 2014 to 2015. During the six-month period ended June 30, 2014, the Company provided services to GDS Holdings amounting to RMB55,869, which was recognized as revenue.
- (iii) During the six-month period ended June 30, 2014, the Company received loans from GDS Holdings amounting to RMB307,048. Interest expense on the loans amounted to RMB4,296.
- (iv) Prior to January 1, 2014, the Company advanced a loan of US\$8,000 (RMB49,222) to GDS Holdings. During the six-month period ended June 30, 2014, interest income on the loan amounted to RMB244.
- (v) Prior to January 1, 2014, the Company received a loan from SBCVC amounting to US\$4,000 (RMB24,388). During the six-month period ended June 30, 2014, interest expense on the loan was RMB1,020. The Company fully repaid the principal and the interest of the loan during the six-month period ended June 30, 2014.

9. SUBSEQUENT EVENTS

Management has considered subsequent events through May 20, 2016, which was the date these consolidated financial statements were issued.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 6. Indemnification of Directors and Officers

Cayman Islands law does not limit the extent to which a company's articles of association may provide indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to the public interest, such as providing indemnification against civil fraud or the consequences of committing a crime. The registrant's articles of association provide that each officer or director of the registrant shall be indemnified out of the assets of the registrant against any liability incurred by him or her in defending any proceedings, whether civil or criminal, in which judgment is given in his or her favor, or the proceedings are otherwise disposed of without any finding or admission of any material breach of duty on his or her part, or in which he or she is acquitted or in connection with any application in which relief is granted to him or her by the court from liability for negligence, default, breach of duty or breach of trust in relation to the affairs of the registrant.

Under the form of indemnification agreements to be filed as Exhibit 10.14 to this registration statement, 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 executive officer.

The form of underwriting agreement to be filed as Exhibit 1.1 to this registration statement will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 7. Recent Sales of Unregistered Securities

During the past three years, we have issued and sold the securities described below without registering the securities under the Securities Act. None of these transactions involved any underwriters' underwriting discounts or commissions, or any public offering. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S or Rule 701 under the Securities Act or pursuant to Section 4(2) of the Securities Act regarding transactions not involving a public offering.

Ordinary Shares

On December 1, 2006, we issued one share to Codan Trust Company (Cayman) Limited, and such share was transferred to Alan Song on the same day. On December 19, 2006, we issued a total of 110,000,000 ordinary shares, with nominal or par value of US\$0.00005, to Global Data Solutions Limited.

On June 30, 2014, we issued 88,352,558 ordinary shares to Brilliant Wise Holdings Limited as part of consideration to acquire EDC Holding.

Preferred Shares

Series A Preferred Shares. On January 31, 2007, we issued 63,250,000 Series A preferred shares for an aggregate purchase price of US\$23,000,000, or at US\$0.363636 per share to certain investors, including to SBCVC Fund II, L.P. and International Finance Corporation.

Series B Preferred Shares. On March 18, 2011, we issued 11,550,000 Series B preferred shares for an aggregated purchase price of US\$9,000,000, or at US\$0.77922 per share to certain investors, including SBCVC Fund II-Annex, L.P. and International Finance Corporation.

Series A, B1, B2, B3 and B4 Preferred Shares.* In connection with our acquisition of EDC Holding, we altered our authorized share capital from comprising ordinary shares, Series A and Series B preferred shares, to comprising ordinary shares, Series A, Series B, Series A*, Series B1, Series B2, Series B3 and Series B4 preferred shares. Accordingly, Series A*, Series B1, Series B2, Series B3 and Series B4 preferred shares were newly added to our previously authorized share capital.

On June 30, 2014, we acquired EDC Holding from its shareholders whereby we issued shares to EDC Holding's shareholders in exchange for their shares in EDC Holding. Pursuant to the terms of the agreement, we issued 199,163,164 shares in exchange for approximately 93% of the shares in EDC Holding which we did not already own. Accordingly, we issued 88,352,558 ordinary shares to Brilliant Wise Holdings Limited, 11,319,764 Series A* preferred shares to SBCVC Company Limited, 2,829,941 Series A* preferred shares to International Finance Corporation, 9,433,137 Series B1 preferred shares to SBCVC Company Limited, 9,433,137 Series B1 preferred shares to SBCVC Venture Capital, 15,093,019 Series B1 preferred shares to International Finance Corporation, 8,539,471 Series B2 preferred shares to International Finance Corporation, 17,078,942 Series B2 preferred shares to SBCVC Company Limited, 14,045,432 Series B3 preferred shares to International Finance Corporation, and 23,037,763 Series B4 preferred shares to SBCVC Fund III L.P.

Series B5 and Series C Preferred Shares. In connection with our issuance of Series C preferred shares, we altered our authorized share capital from comprising ordinary shares, Series A, Series B, Series A*, Series B1, Series B2, Series B3 and Series B4 preferred shares, to comprising ordinary shares, Series A, Series B, Series A*, Series B1, Series B2, Series B3, Series B4, Series B5 and Series C preferred shares. Accordingly, Series B5 and Series C preferred shares were newly added to our previously authorized share capital.

On August 13, 2014, SBCVC Fund III L.P. purchased 18,698,485 of our Series A, Series A* and Series B3 preferred shares from certain of our investors, all of which preferred shares were redesignated as Series B5 preferred shares.

On August 13, 2014, we repurchased 93,811,462 shares from certain of our investors, which include 18,762,292 ordinary shares, 23,533,064 Series A preferred shares, 5,503,899 Series A* preferred shares, 8,413,412 Series B preferred shares, 13,209,358 Series B1 preferred shares, 9,964,954 Series B2 preferred shares, 5,463,340 Series B3 preferred shares and 8,961,143 Series B4 preferred shares for a total consideration of US\$97,237,644.

On August 13, 2014, we issued 238,526,241 Series C preferred shares for an aggregate purchase price of US\$247,237,696, or at US\$1.036522 per share to STT GDC.

On December 22, 2014, International Finance Corporation transferred and sold its equity interests in GDS Holdings Limited in the form of 1,310,083 Series A, 560,105 Series B, 9,222,193 Series B1, 5,217,820 Series B2 and 384,576 Series B3 preferred shares to SBCVC Fund III, L.P. All of the preferred shares so transferred were reclassified and re-designated as 16,694,777 Series B5 preferred shares.

In connection with and subsequent to the issuance of Series C preferred shares, holders of our preferred shares entered into voting agreements and agreements regarding rights of first refusal and co-sale rights. These voting agreements and the rights of first refusal and co-sale rights will terminate upon the closing of this offering.

Prior to the closing of this offering, holders of each series of preferred shares may elect to convert part or all of the preferred shares held by them into our ordinary shares at a 1:1 share conversion ratio. Each preferred share not so converted will automatically convert into our ordinary shares at the 1:1 share

conversion ratio immediately prior to the closing of this offering. All preferred shares converted into ordinary shares within twelve months after the closing of this offering will be subject to a lock-up period expiring on the first anniversary of this offering's closing date.

Note Financing

On December 11, 2012, we issued and sold an aggregate principal amount of US\$10.5 million bonds due 2014, par value US\$10,000 per note, in a private placement to Best Million Group Limited. The bonds due 2014 had a maturity date of June 10, 2014 and carried interest at 10% per annum. Upon maturity, the carrying amount of the bonds due 2014 was US\$10.5 million and we repaid a portion of the bonds due 2014 amounting to US\$0.7 million. On June 11, 2014, we issued and sold to the same investor in an aggregate principal amount of US\$30.2 million bonds due 2015 of which a portion was to settle the remaining unpaid portion of the bonds due 2014 of US\$9.8 million and unpaid interest payable on the bonds due 2014 of US\$1.7 million.

Prior to June 10, 2015, the holder of bonds due 2015 had the right to exchange the bonds into our ordinary shares in the event of a QIPO or private placement. The price used to determine the number of ordinary shares issued in exchange for the bonds is equal to 70% of the QIPO price or 70% of the share issuance price of the private placement.

In August 2014, we conducted a private placement of 238,526,241 Series C redeemable preferred shares, or Series C preferred shares. Upon the issuance of Series C preferred shares, the holder of the bonds due 2015 exchanged outstanding principal amount of the bonds due 2015 of US\$27.9 million for 38,397,655 ordinary shares. The number of ordinary shares issued was based on US\$0.72557, or 70% of the issuance price of Series C preferred shares of US\$1.036522. The holder waived its right to exchange the remaining bonds due 2015 of US\$2.3 million for ordinary shares of the Company.

On June 10, 2015, we fully redeemed the remaining bonds due 2015 of US\$2.3 million upon maturity.

Convertible Bonds

On December 30, 2015 and January 29, 2016, we issued and sold convertible and redeemable bonds due 2019 in aggregate principal amount of US\$150.0 million, which bonds were subscribed by Ping An Insurance and STT GDC as to US\$100.0 million and US\$50.0 million, respectively. We may, at our option, require STT GDC to subscribe for an additional amount of these bonds as to US\$50.0 million, and thereafter, Ping An Insurance to subscribe for an additional amount of these bonds as to US\$50.0 million at any time within the nine month period following the date of issue, or until September 30, 2016. Under the terms of the bonds, Ping An Insurance is entitled to appoint one observer to attend meetings of our board of directors.

The bonds are repayable four years from the date of issue, i.e. on December 30, 2019, and may be converted at a set conversion price of US\$1.68 per share (subject to adjustments arising from any share consolidation, sub-division or distributions by way of shares) at any time between the date on which this offering is completed and December 30, 2019. Any share issued pursuant to the conversion of these bonds by a holder who is not our existing shareholder within twelve months after the closing of this offering will be subject to a lock-up period expiring on the first anniversary of this offering's closing date. We also may mandate each of Ping An Insurance and STT GDC to convert their bonds into shares if the average per-ordinary-share-equivalent closing trading price of our ADSs in any period of ten (10) consecutive trading days following this offering is at least 125% of US\$1.68.

The bonds bear two components of interest on the principal amount, (i) interest payable in cash semi-annually at a rate of 5% per annum, and (ii) interest accruing semi-annually at a rate of 5% per annum. Such accrued interest is (i) in the case of cash redemption, payable in cash on December 30, 2019, and (ii) in the case of conversion, capitalized and paid in shares upon conversion of the bonds.

We plan to use the proceeds of the bonds for data center development, repayment of indebtedness, and to fund our working capital. As security for the bonds, EDC Holding pledged its entire equity interest in the registered capital of EDC China Holdings Limited, a limited company incorporated in Hong Kong, which is wholly owned by EDC Holding.

Item 8. Exhibits and Financial Statement Schedules

(a) Exhibits

See Exhibit Index beginning on page II-8 of this Registration Statement.

(b) Financial Statement Schedules.

All supplement schedules are omitted because of the absence of conditions under which they are required or because the information is shown in the financial statements or notes thereto.

Item 9. Undertakings

The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser. Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant under the provisions described in Item 6, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

- (1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant under Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.
- (2) For the purpose of determining any liability under the Securities Act, each posteffective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in _____ on _____, 2016.

GDS HOLDINGS LIMITED

By: _____

Name: William Wei Huang
Title: *Co-chairman and chief executive officer*

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below does hereby constitute and appoint _____ and _____, and each of them singly, as his true and lawful attorneys-in-fact and agents, each with full power of substitution and re-substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement and sign any registration statement for the same offering covered by this Registration Statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, as amended, and all post-effective amendments thereto and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes or substitutes, may lawfully do or cause to be done by virtue hereof. Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
_____ William Wei Huang	Co-chairman, chief executive officer (Principal Executive Officer)	
_____ Daniel Newman	Chief financial officer (Principal Financial and Accounting Officer)	
_____ Sio Tat Hiang	Co-chairman	
_____ Erik Ho Ping Siao	Director	

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<hr/> Peter Ping Hua	Director	
<hr/> Hua Chen	Director	
<hr/> Satoshi Okada	Director	
<hr/> Bruno Lopez	Director	
<hr/> Lee Choong Kwong	Director	
<hr/> Lim Ah Doo	Director	

SIGNATURE OF AUTHORIZED REPRESENTATIVE IN THE UNITED STATES

Pursuant to the Securities Act of 1933, as amended, the undersigned, the duly authorized representative in the United States of GDS Holdings Limited has signed this registration statement or amendment thereto in _____ on _____, 2016.

By: _____

Name:
Title:

II-7

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
1.1*	Form of Underwriting Agreement
3.1***	Seventh Amended and Restated Memorandum of Association of the Registrant, adopted by special resolution on May 19, 2016, and effective on May 19, 2016
3.2*	Form of Amended and Restated Memorandum and Articles of Association of the Registrant
4.1*	Specimen of Ordinary Share Certificate
4.2**	Form of Deposit Agreement between the Registrant and , as depositary
4.3**	Form of American Depositary Receipt evidencing American Depositary Shares (included in Exhibit 4.2)
4.4	Amendment Agreement Dated 5 August 2016 Between Shenzhen Yungang EDC Technology Co., Ltd. as Borrower, and GDS Holdings Limited as Ultimate Parent, and Beijing Wanguo Changan Technology Co., Ltd. as Guarantor, arranged by Credit Agricole Corporate and Investment Bank (China) Limited, United Overseas Bank (China) Limited Shenzhen Branch as Mandated Lead Arrangers with United Overseas Bank (China) Limited Shenzhen Branch acting as Facility Agent and Security Agent and United Overseas Bank (China) Limited Shenzhen Branch acting as Account Bank, relating to a RMB 430,000,000 Term Loan Facility Agreement dated 17 September 2015
4.5***	Sixth Amended and Restated Members Agreement, dated May 19, 2016
4.6***	Sixth Amended and Restated Voting Agreement, dated May 19, 2016
4.7***	Sixth Amended and Restated Right of First Refusal And Co-sale Agreement, dated May 19, 2016
5.1*	Opinion of Conyers Dill & Pearman regarding the validity of the ordinary shares being registered
8.1*	Opinion of Simpson Thacher & Bartlett LLP regarding certain United States federal tax matters
8.2*	Opinion of Conyers Dill & Pearman regarding certain Cayman Islands tax matters
8.3*	Opinion of King & Wood Mallesons regarding certain PRC tax matters
10.1***	Share Swap Agreement among the Registrant, EDC Holding and the shareholders of EDC Holding, dated June 12, 2014
10.2***	Subscription Agreement for up to US\$250,000,000 10% Convertible and Redeemable Bond due 2019 convertible into shares in GDS Holdings, among GDS Holdings, Perfect Success Limited and STT GDC Pte. Ltd., dated December 30 2015
10.3***	Equity Interest Pledge Agreement concerning GDS Beijing, among William Wei Huang, Qiuping Huang and GDS Management Company, dated April 13, 2015 (English Translation)
10.4***	Shareholder Voting Rights Proxy Agreement concerning GDS Beijing, among GDS Management Company, GDS Beijing, William Wei Huang and Qiuping Huang, dated April 13, 2016 (English Translation)
10.5***	Exclusive Call Option Agreement concerning GDS Beijing, among William Wei Huang, Qiuping Huang and GDS Management Company, dated April 13, 2016 (English Translation)
10.6***	Loan Agreement between William Wei Huang, Qiuping Huang and GDS Management Company, dated April 13, 2016 (English Translation)
10.7***	Exclusive Technology License and Service Agreement between GDS Beijing and GDS Management Company, dated April 13, 2016 (English Translation)

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.8***	Equity Interest Pledge Agreement concerning GDS Shanghai, among William Wei Huang, Qiuping Huang and GDS Management Company, dated April 13, 2016 (English Translation)
10.9***	Shareholder Voting Rights Proxy Agreement concerning GDS Shanghai, among GDS Management Company, GDS Shanghai, William Wei Huang and Qiuping Huang, dated April 13, 2016 (English Translation)
10.10***	Intellectual Property Rights License Agreement between GDS Shanghai and GDS Management Company, dated April 13, 2016 (English Translation)
10.11***	Exclusive Call Option Agreement concerning GDS Shanghai, among William Wei Huang, Qiuping Huang, GDS Shanghai and GDS Management Company, dated April 13, 2016 (English Translation)
10.12***	Exclusive Technology License and Service Agreement between GDS Shanghai and GDS Management Company, dated April 13, 2016 (English Translation)
10.13***	Loan Agreement among William Wei Huang, Qiuping Huang and GDS Management Company, dated April 13, 2016 (English Translation)
10.14*	Form of Indemnification Agreement between the Registrant and its directors and executive officers
10.15*	Form of Employment Agreement between the Registrant and its executive officers
10.16***	GDS Holdings Limited 2014 Equity Incentive Plan
10.17	Data Center Outsourcing Service Agreement (English Translation)
10.18*	Premises and Warehouse Lease Agreement dated December 26, 2008 (English Translation)
10.19*	Premises and Warehouse Lease Agreement dated April 15, 2011 (English Translation)
10.20*	Premise Lease Agreement dated July 16, 2012 (English Translation)
10.21*	Premise Lease Agreement dated March 9, 2015 (English Translation)
10.22*	Premise Lease Agreement dated July 7, 2015 (English Translation)
10.23*	Tenement Lease Agreement dated April 1, 2015 (English Translation)
10.24*	Premise Lease Agreement dated November 27, 2013 (English Translation)
10.25*	Premise Lease Agreement dated August 1, 2015 (English Translation)
21.1*	Subsidiaries of Registrant
23.1	Consent of KPMG as to the financial information of GDS Holdings Limited
23.2	Consent of KPMG as to the financial information of EDC Holding Limited
23.3*	Consent of Conyers Dill & Pearman (included in Exhibit 5.1 and Exhibit 8.2)
23.4*	Consent of Simpson Thacher & Bartlett LLP (included in Exhibit 8.1)
23.5*	Consent of King & Wood Mallesons (included in Exhibit 8.3)
23.6*	Consent of 451 Research
24.1*	Powers of Attorney (included on the signature page in Part II of this Registration Statement)
99.1*	Code of Business Conduct and Ethics of the Registrant

* To be filed by amendment.

- ** Incorporated by reference to the Registration Statement on Form F-6 to be filed with the Securities and Exchange Commission with respect to American depositary shares representing our ordinary shares.
- *** Previously filed
- † As permitted by Item 601(b)(4)(iii)(A) of Regulation S-K, the Company has not filed with this registration statement certain instruments defining the rights of holders of long-term debt of the Company and its subsidiaries because the total amount of securities authorized under any such instruments does not exceed 10% of the total assets of the Company and its subsidiaries on a consolidated basis. The Company agrees to furnish a copy of any such agreement to the Commission upon request.

EXECUTION VERSION

UP TO RMB 530,000,000 TERM LOAN FACILITY AGREEMENT

Dated 17 September 2015 (as amended and restated pursuant to the Amendment Agreement dated 4 March 2016 and further amended and restated on 5 August 2016)

for

████████████████████ (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.)

as Borrower

and

GDS HOLDINGS LIMITED

as Ultimate Parent

and

████████████████████ (BEIJING WANGUO CHANGAN TECHNOLOGY CO., LTD.)

as Guarantor

arranged by

████████(██)████

(CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK (CHINA) LIMITED)

████(██)████████

(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)

as Mandated Lead Arrangers

with

████(██)████████

(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)

acting as Facility Agent and Security Agent

and

████(██)████████

(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)

acting as Account Bank

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THIS AGREEMENT is dated 17 September 2015 (as amended and restated pursuant to an amendment agreement dated 4 March 2016 and further amended and restated on 5 August 2016) and made between:

- (1) 深圳洋刚电子科技有限公司 (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.), a wholly foreign owned enterprise established under the laws of the PRC, with its registered address at Room 713, 7th Floor, Energy Bonded Warehouse, No.5 Taohua Road, Fubao Street, Futian Bonded Area, Shenzhen, PRC (the “**Borrower**”);
- (2) GDS HOLDINGS LIMITED, a company established under the laws of the Cayman Islands, with its registered address at the offices of Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands (the “**Ultimate Parent**”);
- (3) 北京万国长安科技有限公司 (BEIJING WANGUO CHANGAN TECHNOLOGY CO., LTD.), a limited liability company established under the laws of the PRC, with its registered address at Room A-0155, 2nd Floor, Building 3, No. 30th Yard, Shixing Avenue, Shijingshan District, Beijing, PRC (the “**Guarantor**”);
- (4) 全球数据解决方案有限公司 (GLOBAL DATA SOLUTIONS CO., LTD.), a wholly foreign owned enterprise established under the laws of the PRC, with its registered address at Unit A0503-1, International Science & Technology Park, No. 1355, Jinjihu Avenue, Suzhou Industrial Park, PRC (“**GDS Suzhou**”);
- (5) 中国农业银行(中国)有限公司(CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK (CHINA) LIMITED) and 渣打银行(中国)有限公司(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH), as mandated lead arrangers (the “**Mandated Lead Arrangers**”);
- (6) THE FINANCIAL INSTITUTIONS listed in Schedule 1 as lenders (the “**Original Lenders**”);
- (7) 渣打银行(中国)有限公司(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH) as account bank (the “**Account Bank**”);
- (8) 渣打银行(中国)有限公司(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH) as agent of the Finance Parties (other than itself) (the “**Facility Agent**”); and
- (9) 渣打银行(中国)有限公司(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH) as security trustee for the Secured Parties (the “**Security Agent**”).

BACKGROUND

- (A) The Borrower and the Facility Agent has, among others, entered into this Agreement on 17 September 2015.
- (B) The Borrower and the Facility Agent has, among others, further entered into an amendment agreement on 4 March 2016 to amend this Agreement to add on the Facility C (as defined below).
- (C) All Parties have agreed to further amend and restate this Agreement and have intended to use this Agreement which is amended and restated on the above date to replace the facility agreement and its amendment agreement(s) which have been entered into by all Parties before such date.

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

“**Accession Letter**” means a document substantially in the form set out in Schedule 6 (*Form of Accession Letter*).

“Accounts” means:

- (a) the Debt Service Reserve Account;
- (b) the Excess Cashflow Account;
- (c) the Receiving Account 1;
- (d) the Receiving Account 2;
- (e) the Receiving Account 3;
- (f) the Debt Service Accrual Account;
- (g) the Operations Account; and
- (h) any account otherwise designated as an Account by (i) the Facility Agent and (ii) the Borrower, the Guarantor or GDS Suzhou (as the case may be) in writing.

“Account Control Agreement” means an account control agreement dated on 17 September 2015 and made by and between the Borrower, the Guarantor, GDS Suzhou, the Account Bank and the Facility Agent in relation to the Accounts, as amended and by the Supplemental Account Control Agreement.

“Administrative Party” means each of the Mandated Lead Arrangers, the Account Bank, the Facility Agent and the Security Agent.

“Affiliate” means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

“Amended and Restated Equity Pledge Agreement” means an amended and restated equity pledge agreement dated on or about the date of the Amendment Agreement and made by and between, the Parent, the Borrower and the Security Agent in respect of the Equity Pledge Agreement, which is amended by the Supplemental Equity Pledge Agreement.

“Amended and Restated Movable Assets Mortgage Agreement (Project SZ1)” means an amended and restated movable assets mortgage agreement (Project SZ1) dated on or about the date of the Amendment Agreement and made by and between the Borrower and the Security Agent in respect of the Movable Assets Mortgage Agreement (Project SZ1), which is amended by the Supplemental Movable Assets Mortgage Agreement (Project SZ1).

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“Amended Facility Agreement” means this Agreement as amended by the Amendment Agreement.

“Amendment Agreement” means the amendment agreement dated 4 March 2016 between, among others, the Borrower and the Facility Agent.

“Annualised Contract Value” means, (a) in relation to a Qualified Service Contract, its Contract Value divided by the number of years of the whole term of that Qualified Service Contract; and (b) in relation to a Service Contract (other than a Qualified Service Contract), its Contract Value divided by the remaining term of applicable Loan.

“APLMA” means the Asia Pacific Loan Market Association Limited.

“Assignment Agreement” means an agreement substantially in a recommended form of the APLMA or any other form agreed between the relevant assignor, assignee and the Facility Agent.

“Authorisation” means:

- (a) an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation, lodgement or registration; or
- (b) in relation to anything which will be fully or partly prohibited or restricted by law if a Governmental Agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of that period without intervention or action.

“Availability Period” means Facility A Availability Period, Facility B Availability Period or Facility C Availability Period (as the case may be).

“Available Commitment” means, in relation to a Facility, a Lender’s Commitment under that Facility minus:

- (a) the aggregate amount of its participation in any outstanding Loans under that Facility; and
- (b) in relation to any proposed Utilisation, the aggregate amount of its participation in any Loans that are due to be made under that Facility on or before the proposed Utilisation Date,

“Available Facility” means Available Facility A, Available Facility B or Available Facility C (as the case may be).

“Available Facility A” means, in relation to the Facility A, the aggregate for the time being of each Lender’s Available Commitment in respect of the Facility A.

“Available Facility B” means, in relation to the Facility B, the aggregate for the time being of each Lender’s Available Commitment in respect of the Facility B.

“Available Facility C” means, in relation to the Facility C, the aggregate for the time being of each Lender’s Available Commitment in respect of the Facility C.

“Available Foreign Debt Quota” has the meaning given to that term in Clause 23.29 (b) (*Offshore Transaction Security*).

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“Back-to-Back Agreements” means Back-to-Back Agreement (GDS Suzhou), Back-to-Back Agreement (Guarantor), Back-to-Back Agreement (GDS Suzhou-SZ3) and Back-to-Back Agreement (Guarantor-SZ3).

“Back-to-Back Agreement (GDS Suzhou)” means, in respect of Project SZ1 and Project SZ2, one or more service agreements entered into by and between the Borrower and GDS Suzhou on or before the date of this Agreement and as amended from time to time, in which the Borrower agrees to provide data center facilities and other related services to GDS Suzhou for GDS Suzhou to perform its obligations under the GDS Suzhou Service Contracts in relation to Project SZ1 and Project SZ2 and GDS Suzhou agrees to pay all or certain percentage consideration under the GDS Suzhou Service Contracts in relation to Project SZ1 and Project SZ2 to the Borrower, in each case in the form and substance satisfactory to the Facility Agent.

“Back-to-Back Agreement (Guarantor)” means, in respect of Project SZ1 and Project SZ2, one or more service agreements entered into by and between the Borrower and the Guarantor on or before the date of this Agreement and as amended from time to time, in which the Borrower agrees to provide data center facilities and other related services to the Guarantor for the Guarantor to perform its obligations under the Guarantor Service Contracts in relation to Project SZ1 and Project SZ2 and the Guarantor agrees to pay all or certain percentage consideration under the Guarantor Service Contracts in relation to Project SZ1 and Project SZ2 to the Borrower, in each case in the form and substance satisfactory to the Facility Agent.

“Back-to-Back Agreement (GDS Suzhou-SZ3)” means, in respect of Project SZ3, one or more service agreements entered into by and between the Borrower and GDS Suzhou on or before the date of the Amendment Agreement and as amended from time to time, in which the Borrower agrees to provide data center facilities and other related services to GDS Suzhou for GDS Suzhou to perform its obligations under the GDS Suzhou Service Contracts in relation to Project SZ3 and GDS Suzhou agrees to pay all or certain percentage consideration under the GDS Suzhou Service Contracts in relation to Project SZ3 to the Borrower, in each case in the form and substance satisfactory to the Facility Agent.

“Back-to-Back Agreement (Guarantor-SZ3)” means, in respect of Project SZ3, one or more service agreements entered into by and between the Borrower and the Guarantor on or before the date of this Agreement and as amended from time to time, in which the Borrower agrees to provide data center facilities and other related services to the Guarantor for the Guarantor to perform its obligations under the Guarantor Service Contracts in relation to Project SZ3 and the Guarantor agrees to pay all or certain percentage consideration under the Guarantor Service Contracts in relation to Project SZ3 to the Borrower, in each case in the form and substance satisfactory to the Facility Agent.

“Borrower Group” means the Borrower and its Subsidiaries from time to time.

“Borrower Service Contracts” means all contracts, orders, agreements or any other documents entered into or expected to be entered into (in the reasonable opinion of the Facility Agent) by the Borrower and its customers to which the Projects may at any time be subject in respect of any management consultancy services or other services in connection with internet data center businesses provided or to be provided by the Borrower, the performance of which does not need an IDC License.

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“**Borrowings**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Break Costs**” means the amount (if any) by which:

- (a) the interest which a Lender should have received pursuant to the terms of this Agreement for the period from the date of receipt of all or any part of the principal amount of a Loan or Unpaid Sum to the last day of the current Interest Period in respect of that Loan or Unpaid Sum, had the principal amount or Unpaid Sum received been paid on the last day of that Interest Period;

exceeds:

- (b) the amount of interest which that Lender would be able to obtain by placing an amount equal to the principal amount or Unpaid Sum received by it on deposit with a leading bank in the Relevant Interbank Market for a period starting on the Business Day following receipt or recovery and ending on the last day of the current Interest Period.

“**Budget**” means each budget (including the detailed budget for each quarter of that Financial Year) delivered by the Borrower to the Facility Agent in respect of that Financial Year pursuant to Clause 21.5 (*Submission of Budget*).

“**Business Day**” means a day (other than a Saturday, Sunday or a public holiday) on which banks are open for general business in Shanghai and Shenzhen.

“**Business Plan**” means the business plan regarding the Projects (including but not limited to detailed development plans, construction programme, operation of Projects and projected cashflow over the whole life of the Projects) proposed by the Borrower and dated September 10, 2015 and approved in writing by the Facility Agent, as amended on 4 February 2016 and approved by the Facility Agent.

“**Capital Expenditure**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Cash**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Cash Equivalent Investments**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Cashflow**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**CBRC Rule**” means the Interim Measures on Administration of Fixed Assets Loan issued by China Banking Regulatory Commission on 23 July 2009, including any supplemental rules thereof and any amendments thereto from time to time.

“**Certificate of Completion**” means the fire safety certificate or any other documents issued by a competent counterpart of Shenzhen Public Security Bureau, Fire Services Department (深圳消防局), evidencing a Project has passed fire safety inspection.

“**Change of Control**” means:

- (a) the Sponsor ceases to, directly or indirectly,
 - (i) prior to the occurrence of a Flotation, be the beneficial owner of at least 40 per cent. of equity interests of the Ultimate Parent or have the power (whether by way of ownership

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of shares, proxy, contract, agency or otherwise) to cast, or Control the casting of, at least 40 per cent. of the votes that may be cast at a meeting of the board of directors (or similar governing body) of the Ultimate Parent; or

- (ii) following the occurrence of Flotation, be the beneficial owner of at least 30 per cent. of equity interests of the Ultimate Parent or have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to cast, or Control the casting of, at least 30 per cent. of the votes that may be cast at a meeting of the board of directors (or similar governing body) of the Ultimate Parent; or
- (b) the Sponsor ceases to be the single largest shareholder of the Ultimate Parent; or
- (c) the Ultimate Parent ceases to, directly or indirectly, be the beneficial owner of 100 per cent. of equity interests of the Borrower and have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to Control the Borrower; or
- (d) the Ultimate Parent ceases to, directly or indirectly, be the beneficial owner of 100 per cent. of equity interests of the New WFOE and have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to Control the New WFOE; or
- (e) prior to the VIE Acquisition, the Ultimate Parent ceases to, directly or indirectly, be the beneficial owner of 100 per cent. of equity interests of GDS Suzhou and have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to Control the GDS Suzhou; or
- (f) after the VIE Acquisition, the Guarantor ceases to, directly or indirectly, be the beneficial owner of 100 per cent. of equity interests of GDS Suzhou and have the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to Control the GDS Suzhou; or
- (g) William Huang ceases to, directly or indirectly,
 - (i) prior to the completion of the VIE Equity Transfer, own 100% of the equity interests of the Guarantor; or
 - (ii) after the completion of the VIE Equity Transfer, own at least 99.96% of the equity interests of the Guarantor.

For the purposes of this definition, “**equity interests**” means, in relation to any person:

- (i) any share of any class or capital stock of, or equity interest in, such person or any depositary receipt in respect of any such share, capital stock or equity interest; or
- (ii) any security convertible or exchangeable (whether at the option of the holder thereof or otherwise and whether such conversion is conditional or otherwise) into any such shares, capital stock, equity interest or depositary receipt, or any depositary receipt in respect of any such security; or
- (iii) any option, warrant or other right to acquire any such share, capital stock, equity interest, security, depositary receipt or security referred to in the foregoing paragraphs (i) and/or (ii) above.

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“**Code**” means the US Internal Revenue Code of 1986.

“**Commitment**” means Facility A Commitment, Facility B Commitment or Facility C Commitment (as the case may be).

“**Compensation**” means any sum (other than Insurance Proceeds):

- (a) by way of compensation under a Project Document;
- (b) in respect of the seizure, compulsory acquisition, expropriation or nationalisation of any of the assets or shares of any member of the Group;
- (c) as compensation for any Authorisation in connection with the Projects not being granted or renewed, or ceasing to be in full force and effect without modification;
- (d) in return for any decrease in its rights (including the release, modification or suspension of any rights) or any increase in its obligations (including the grant by it of rights or the modification of them), in each case, in connection with the Projects;
- (e) received by or payable to any Obligor Party or any other member of the Group under any guarantee, letter of credit or bond relating to any of the foregoing.

“**Compliance Certificate**” means a certificate delivered pursuant to Clause 21.2 (*Compliance Certificate*) and signed by one of the Borrower’s authorized signatories substantially in the form set out in Schedule 5 (*Form of Compliance Certificate*).

“**Confidential Information**” means all information relating to the Borrower, any Obligor Party, the Group, the Transaction Documents or a Facility of which a Secured Party becomes aware in its capacity as, or for the purpose of becoming, a Secured Party or which is received by a Secured Party in relation to, or for the purpose of becoming a Secured Party under, the Transaction Documents or a Facility from either:

- (a) any member of the Group or any of its advisers; or

(b) another Secured Party, if the information was obtained by that Secured Party directly or indirectly from any member of the Group or any of its advisers,

in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

- (i) is or becomes public information other than as a direct or indirect result of any breach by that Secured Party of Clause 28 (*Disclosure of information*); or
- (ii) is identified in writing at the time of delivery as non-confidential by any member of the Group or any of its advisers; or
- (iii) is known by that Secured Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Secured Party after that date, from a source which is, as far as that Secured Party is aware, unconnected with the Group and which, in either case, as far as that Secured Party is

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aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

“**Confidentiality Undertaking**” means a confidentiality undertaking substantially in a recommended form of the APLMA or in any other form agreed between the Borrower and the Facility Agent.

“**Confirmatory Share Mortgage Agreement**” means a confirmatory share mortgage agreement dated on or about the date of the Amendment Agreement and made by and between the Intermediate Parent and the Security Agent.

“**Confirmatory Letter**” means a confirmatory letter issued by the Ultimate Parent and the Intermediate Parent to the Security Agent in respect of the Ultimate Parent Guarantee and the Share Mortgage Agreement on 5 August 2016.

“**Confirmatory Ultimate Parent Guarantee**” means a confirmatory agreement in respect of the Ultimate Parent Guarantee dated on or about the date of the Amendment Agreement and issued by the Ultimate Parent in favour of the Security Agent.

“**Consigned Disbursement**” means the method by which the Lenders disburse loan proceeds into a Loan Disbursement Account, for further payment by the Facility Agent upon the instruction of the Borrower (which may be in the form of a duly completed Utilisation Request) to the respective transactional counterparty.

“**Contractor Agreements**” means:

- (a) in respect of the Project SZ1, a general contractor construction contract regarding the mechanical and electrical engineering work of Project SZ1 (□□1□□□□□□□□), which was entered into by the Borrower and Shenzhen Municipality Telecommunication and Engineering Co., Ltd.(□□□□□□□□□□) on August 1, 2013;
- (b) in respect of the Project SZ2, a general contractor construction contract regarding Project SZ2 (□□2□□□□□□□), which was entered into by the Borrower and China Security & Fire Technology Co., Ltd.(□□□□□□□□) on August 7, 2015;
- (c) in respect of the Project SZ3, a general contractor construction contract regarding Project SZ3, which will be entered into by the Borrower and Project SZ3 contractor after the date of the Amendment Agreement; and
- (d) any other contractor documents entered into by the Borrower in relation to the Projects which consideration (whether paid or payable by the Borrower) equals to or exceeds RMB 20,000,000.00,

in each case, including any amendments thereto or any supplemental documents thereof.

“**Contract Novation**” means, in relation to a GDS Suzhou Service Contract, novation of all rights and obligations of GDS Suzhou thereunder to the Guarantor.

“**Contract Value**” means, in relation to a Service Contract, all revenues, receipts and payments, service charges, royalties, profits and refunds paid to or for the benefit of the Borrower, GDS Suzhou or the Guarantor from any source in respect of the Projects in connection with data center infrastructure business, management consultancy services or any other services provided either by the Borrower,

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GDS Suzhou or the Guarantor during the whole term (in the case of a Qualified Service Contract) or the respective remaining term (in the case of any Service Contract other than a Qualified Service Contract) of that Service Contract.

“**Contributed Equity**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Control**” or “**control**” means, in relation to any person, the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of such person, whether through the ownership of voting securities, by contract or otherwise (and the term “**Controlled**” or “**controlled**” shall be construed accordingly).

“**Current Assets**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Current Liabilities**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Custom**” means General Administration of Customs of the PRC or its local counterparty.

“**Customer Assets**” means any customer equipment in relation to internet data centre business that are purchased by the Borrower at the cost and request of its customers and made available for its customers by the Borrower under the relevant Service Contract, including but not limited to servers connecting to internet or other networks, the telecommunication lines and bandwidth connected to the equipment and facilities such as database system and servers, operating system and software system, and the intangible assets including without limitation, the trademark and domain name.

“**Debt Service**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Debt Service Accrual Account**” has the meaning given to that term in Clause 18.1(a)(iii) (*The Accounts*).

“**Debt Service Reserve Amount**” has the meaning given to that term in Clause 18.3(a) (*Debt Service Reserve Account*).

“**Debt Service Coverage Ratio**” or “**DSCR**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Debt Service Reserve Account**” has the meaning given to that term in Clause 18.1(a)(i) (*The Accounts*).

“**Debt to Equity Ratio**” or “**DER**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Default**” means an Event of Default or any event or circumstance specified in Clause 24 (*Event of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

“**Default Rate**” means a rate determined by the Facility Agent to be:

- (a) in the event of any misapplication or misappropriation of any amount of the proceeds of the Loan as contemplated in Clause 10.3(b) (*Default interest*), 150% of the rate of interest which would have been applicable to that amount of the Loans pursuant to Clause 10.1 (*Calculation of interest*); and

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- (b) in the event of any Unpaid Sum (including, but not limited to, following any failure to pay upon acceleration of the Loan pursuant to Clause 24.21 (*Acceleration*)), 130% of the rate which would have been payable if the Unpaid Sum had, during the period of non-payment, constituted part of the Loans pursuant to Clause 10.1 (*Calculation of interest*),

or, in each case, if any misapplied or misappropriated amount also constitutes any part of Unpaid Sum, the highest default interest rate shall apply to such part of Unpaid Sum without double counting overdue interests on such part of Unpaid Sum.

“**Disposal**” means a sale, lease, licence, transfer, loan or other disposal by a person of any asset, undertaking or business (whether by a voluntary or involuntary single transaction or series of transactions) other than in the ordinary course of trading.

“Disposal Proceeds” means all sums paid or payable or any other consideration given or to be given in money or money’s worth for any Disposal made by any member of the Group in accordance with this Agreement except for the Excluded Disposal Proceeds and the Compensation.

“Disruption Event” means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facilities (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; and
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:
 - (i) from performing its payment obligations under the Finance Documents; or
 - (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

“EBIT” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“EBITDA” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“Effective Date” means the date upon which the Facility Agent issues the notification referred to in Clause 2(c) of the Amendment Agreement.

“Environmental Claim” means any claim, proceeding or investigation by any person in respect of any Environmental Law.

“Environmental Law” means any applicable law in any jurisdiction in which any Obligor Party or any other member of the Group conducts business which relates to the pollution or protection of the environment or harm to or the protection of human health or the health of animals or plants.

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“Environmental Permits” means any Authorisation and the filing of any notification, report or assessment required under any Environmental Law for the operation of the business of any Obligor Party or any other member of the Group conducted on or from the properties owned or used by the relevant Obligor Parties or any other relevant member of the Group.

“Equity Pledge Agreement” means an equity pledge agreement dated 17 September 2015 and made between the Borrower, the Parent and the Security Agent, pursuant to which the Parent pledges its equity interests corresponding to the registered capital of US\$ 40,000,000.00 in the Borrower in favour of the Security Agent (on behalf of all Secured Parties), as amended by the Supplemental Equity Pledge Agreement.

“Evidence of Facility A Utilization” has the meaning given to that term in sub-paragraph (vii) of paragraph (a) of Clause 5.2 (*Completion of a Utilisation Request*).

“Evidence of Facility B Utilization” has the meaning given to that term in sub-paragraph (viii) of paragraph (a) of Clause 5.2 (*Completion of a Utilisation Request*).

“Evidence of Facility C Utilization” has the meaning given to that term in sub-paragraph (iv) of paragraph (a) of Clause 5.2 (*Completion of a Utilisation Request*).

“Event of Default” means any event or circumstance specified as such in Clause 24 (*Event of Default*).

“Excess Cashflow” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“Excess Cashflow Account” has the meaning given to that term in Clause 18.1(a)(iv) (*The Accounts*).

“Excess Cashflow Prepayment Amount” has the meaning given to that term in Clause 18.6(a)(i) (*Excess Cash Flow Account*).

“Excluded Disposal Proceeds” means the proceeds of any Disposal which the Borrower notifies the Facility Agent will be applied for the replacement and/or reinstatement of its assets within 6 months after actual receipt of such proceeds.

“Excluded Insurance Proceeds” means any proceeds of an Insurance claim which the Borrower notifies the Facility Agent will be applied for the replacement, reinstatement and/or repair of the assets or otherwise in amelioration of the loss in respect of which the relevant Insurance claim was made within 6 months after receipt, but in each case such proceeds are not more than RMB 10,000,000.00 and does not include any proceeds arising out of a total loss or a major damage.

“Existing Account” means the Borrower’s existing bank accounts (other than the Accounts) opened with other banks (other than the Account Bank) before the date of this Agreement, as more particularly set out in Schedule 8 (*List of Existing Accounts*).

“Existing Deferred Payment” means the deferred payment under the following contracts in relation to the Projects, as more particularly set out in Schedule 9 (*List of Existing Deferred Payment*).

“Existing Inter-company Loan (Project SZ1)” means certain portion of the inter-company loan made by the members of the Group to the Borrower under the Existing Inter-company Loan Agreement (Project SZ1) that has been agreed by the Borrower and the Facility Agent, which will be refinanced pursuant to this Agreement (being RMB113,215,000.00 at the date of this Agreement).

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“Existing Inter-company Loan (Project SZ2)” means certain portion of the inter-company loan made by the members of the Group to the Borrower under the Existing Inter-company Loan Agreement (Project SZ2) that has been agreed by the Borrower and the Facility Agent, which will be refinanced pursuant to this Agreement (being RMB0.00 at the date of this Agreement).

“Existing Inter-company Loan (Project SZ3)” means certain portion of the inter-company loan made by the members of the Group to the Borrower under the Existing Inter-company Loan Agreement (Project SZ3) that has been agreed by the Borrower and the Facility Agent, which will be refinanced pursuant to this Agreement and the Amendment Agreement (being RMB11,300,000 at the date of the Amendment Agreement).

“Existing Inter-company Loan” means Existing Inter-company Loan (Project SZ1), Existing Inter-company Loan (Project SZ2) or Existing Inter-company Loan (Project SZ3) (as the case may be).

“Existing Inter-company Loan Agreement (Project SZ1)” means an inter-company loan agreement in relation to the Existing Inter-company Loan (Project SZ1) entered into by and between the Borrower and the members of the Group in respect of Project SZ1 on or before the date of this Agreement.

“Existing Inter-company Loan Agreement (Project SZ2)” means an inter-company loan agreement in relation to the Existing Inter-company Loan (Project SZ2) entered into by and between the Borrower and the members of the Group in respect of Project SZ2 on or before the date of this Agreement.

“Existing Inter-company Loan Agreement (Project SZ3)” means an inter-company loan agreement in relation to the Existing Inter-company Loan (Project SZ3) entered into by and between the Borrower and the members of the Group in respect of Project SZ3 on or before the date of the Amendment Agreement.

“Existing VIE Contracts” means any arrangement, instrument or agreement that is part of any contractual arrangements enabling GDS Suzhou to exercise effective control over the Guarantor or consolidate the financial condition or results of operation of the Guarantor for the purposes of the consolidated financial statements of the Group.

“Existing VIE Equity Pledge” means a pledge over the equity interests in the Guarantor held by William Huang in favour of GDS Suzhou as contemplated under the Existing VIE Contracts.

“Facility” means Facility A, Facility B or Facility C (as the case may be).

“Facility A” means the term loan facility made available under this Agreement as described in paragraph (a) of Clause 2 (*The Facilities*).

“Facility A Availability Period” means the period from and including the date of this Agreement to and including the date which is 6 Months after the date of this Agreement.

“Facility A Commitment” means:

- (a) in relation to an Original Lender, the amount in RMB set opposite its name under the heading “Facility A Commitment” in Schedule 1 (*Lenders and their Commitments*) and the amount of any other Facility A Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount in RMB of any Facility A Commitment transferred to it under this Agreement,

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to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Facility A Loan**” means a loan made or to be made under Facility A or the principal amount outstanding for the time being of that loan.

“**Facility A Loan Disbursement Account**” means a bank account opened with the Account Bank for the purpose of receiving the Facility A Loan proceeds from the relevant Lenders.

“**Facility A Repayment Date**” has the meaning given to such term in paragraph (a) of Clause 6.1 (*Repayment of Facility A Loans*).

“**Facility A Utilisation Request**” means a Utilisation Request that requests a Facility A Loan.

“**Facility B**” means the term loan facility made available under this Agreement as described in paragraph (b) of Clause 2 (*The Facilities*).

“**Facility B Availability Period**” means the period from and including the date of this Agreement to and including (a) the date which is 15 Months after the date of this Agreement, and (b) if the Borrower exercises its extension rights pursuant to Clause 2.2 (*Extension of Facility B Availability Period*), to and including the date (if any) as notified by the Borrower and approved by all Lenders .

“**Facility B Commitment**” means:

- (a) in relation to an Original Lender, the amount in RMB set opposite its name under the heading “Facility B Commitment” in Schedule 1 (*Lenders and their Commitments*) and the amount of any other Facility B Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount in RMB of any Facility B Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Facility B Loan**” means a loan made or to be made under Facility B or the principal amount outstanding for the time being of that loan.

“**Facility B Loan Disbursement Account**” means a bank account opened with the Account Bank for the purpose of receiving the Facility B Loan proceeds from the relevant Lenders.

“**Facility B Repayment Date**” has the meaning given to such term in paragraph (a) of Clause 6.2 (*Repayment of Facility B Loans*).

“**Facility B Utilisation Request**” means a Utilisation Request that requests a Facility B Loan.

“**Facility C**” means the term loan facility made available under this Agreement as described in paragraph (c) of Clause 2 (*The Facilities*).

“**Facility C Availability Period**” means the period from and including the Effective Date to 10 June 2017 (inclusive).

“**Facility C Commitment**” means:

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- (a) in relation to an Original Lender, the amount in RMB set opposite its name under the heading “Facility C Commitment” in Schedule 1 (*Lenders and their Commitments*) and the amount of any other Facility C Commitment transferred to it under this Agreement; and
- (b) in relation to any other Lender, the amount in RMB of any Facility A Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

“**Facility C Fee Letter**” means any letter or letters or supplemental letter dated on or about the date of the Amendment Agreement made by and between one or more Administrative Parties and the Borrower setting out the structuring fees and agency fees payable by the Borrower.

“**Facility C Loan**” means a loan made or to be made under Facility C or the principal amount outstanding for the time being of that loan.

“**Facility C Loan Disbursement Account**” means a bank account opened with the Account Bank for the purpose of receiving the Facility C Loan proceeds from the relevant Lenders.

“**Facility C Repayment Date**” has the meaning given to such term in paragraph (c) of Clause 6.1 (*Repayment of Facility C Loans*).

“**Facility C Utilisation Request**” means a Utilisation Request that requests a Facility C Loan.

“**Facility Office**” means the office or offices notified by a Lender to the Facility Agent in writing on or before the date it becomes a Lender (or, following that date, by not less than five Business Days’ written notice) as the office or offices through which it will perform its obligations under this Agreement.

“**FATCA**” means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

“**FATCA Application Date**” means:

- (a) in relation to a “withholdable payment” described in section 1473(1)(A)(i) of the Code (which relates to payments of interest and certain other payments from sources within the US), 1 July 2014;
- (b) in relation to a “withholdable payment” described in section 1473(1)(A)(ii) of the Code (which relates to “gross proceeds” from the disposition of property of a type that can produce interest from sources within the US), 1 January 2017; or

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- (c) in relation to a “passthru payment” described in section 1471(d)(7) of the Code not falling within paragraphs (a) or (b) above, 1 January 2017,

or, in each case, such other date from which such payment may become subject to a deduction or withholding required by FATCA as a result of any change in FATCA after the date of this Agreement.

“**FATCA Deduction**” means a deduction or withholding from a payment under a Finance Document required by FATCA.

“**FATCA Exempt Party**” means a Party that is entitled to receive payments free from any FATCA Deduction.

“**FATCA FFI**” means a foreign financial institution as defined in section 1471(d)(4) of the Code which, if any Finance Party is not a FATCA Exempt Party, could be required to make a FATCA Deduction.

“**FATCA Payment**” means either:

- (a) the increase in a payment made by an Obligor Party to a Finance Party under Clause 13.7 (*FATCA Deduction and gross-up by Obligor Parties*) or paragraph (b) of Clause 13.8 (*FATCA Deduction by Finance Party*); or
- (b) a payment under paragraph (d) of Clause 13.8 (*FATCA Deduction by Finance Party*).

“**Fee Letter**” means the Initial Fee Letters and the Facility C Fee Letters.

“**Final Repayment Date**” means 18 September 2020.

“**Finance Document**” means this Agreement, the Amendment Agreement, any Accession Letter, any Fee Letter, the Account Control Agreement, the Supplemental Account Control Agreement, any Transaction Security Document, any Utilisation Request and any other document designated as such by the Facility Agent and the Borrower.

“**Finance Party**” means an Administrative Party or a Lender.

“**Financial Indebtedness**” means any indebtedness for or in respect of:

- (a) moneys borrowed;
- (c) any amount raised by acceptance under any acceptance credit facility or dematerialised equivalent;
- (d) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;
- (e) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;
- (f) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis);
- (g) any amount raised under any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing;

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- (h) any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account);
- (i) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 12 Months after the date of supply;
- (j) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution; and
- (k) the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (a) to (j) above.

“**Financial Quarter**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Financial Year**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Flotation**” means the listing or admission to trading on any stock or securities exchange or market of any shares or securities of any member of the Group, or any sale or issue by way of listing, flotation or public offering (or any equivalent circumstances) of any shares or securities of any member of the Group in any jurisdiction or country.

“**Flotation Proceeds**” means the net cash proceeds in relation to a Flotation or a primary issue of shares in connection with a Flotation as shown in the prospectus or any other similar document of the Flotation.

“**Force Majeure**” means a circumstance that may not be foreseen, avoided or overcome, including but not limited to fire, flood, earthquake, storm, hurricane or other natural disaster, war, invasion, act of foreign enemies, hostilities (regardless of whether war is declared), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation, terrorist activities, nationalisation, government sanction, blockage, embargo, strike.

“**GAAP**” means generally accepted accounting principles and practices from time to time in the jurisdiction of incorporation of the relevant Obligor Party.

“**GDS Suzhou Inter-company Loan**” means an inter-company loan up to an amount of RMB 60,000,000.00 to be advanced by GDS Suzhou to the Borrower on or after the date of this Agreement.

“**GDS Suzhou Inter-company Loan Agreement**” means an inter-company loan agreement made by and between GDS Suzhou and the Borrower in respect of the GDS Suzhou Inter-company Loan on or after the date of this Agreement.

“**GDS Suzhou Trapped Amount Loan Agreement**” has the meaning given to that term in Clause 18.11 (*Receiving Account 3 — Trapped Amount*).

“**GDS Suzhou Service Contracts**” means all contracts, orders, agreements or any other documents entered into or expected to be entered into (in the reasonable opinion of the Facility Agent) by GDS

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Suzhou and its customers to which the Projects may at any time be subject in respect of any data center infrastructure services or other services in connection with internet data center businesses provided or to be provided by the Borrower, the performance of which needs an IDC License, but excluding, following a Contract Novation, the contract that has been novated from GDS Suzhou to the Guarantor.

“**GDS Suzhou Trapped Amount**” has the meaning given to that term in Clause 18.11 (*Receiving Account 3 — Trapped Amount*).

“**Governmental Agency**” means any government or any governmental agency, semi-governmental or judicial entity or authority (including, without limitation, any stock exchange or any self-regulatory organisation established under statute).

“**Governmental Rules**” means all applicable statutes, laws, rules, codes, ordinances, decisions, regulations, permits, certificates, orders, connivance, indulgence, grace measures, practices, waivers and directions of any Governmental Agency now or hereafter in effect and, in each case, as amended or otherwise modified from time to time and any interpretation thereof by any competent Governmental Agency or official, including, without limitation, any judicial or administrative order, consent decree, settlement agreement or judgment and any industry guidelines.

“**Gross Leverage Ratio**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Group**” means the Ultimate Parent and its Subsidiaries from time to time.

“**Group Structure Chart**” means the structure chart of the Group which identifies the Ultimate Parent and any person by or through which they hold or beneficially own equity interests in or control the Borrower, GDS Suzhou, the Guarantor and any of its Subsidiaries (if any) and provided to the Facility Agent pursuant to Clause 4.1 (*Initial conditions precedent*).

“**Guarantor Service Contracts**” means all contracts, orders, agreements or any other documents entered into or expected to be entered into (in the reasonable opinion of the Facility Agent) by the Guarantor and its customers to which the Projects may at any time be subject in respect of any data center infrastructure services or other services in connection with internet data center businesses provided or to be provided by the Guarantor the performance of which needs an IDC License, and including, following a Contract Novation, the contract that has been novated from GDS Suzhou to the Guarantor.

“**Guarantor Trapped Amount**” has the meaning given to that term in Clause 18.9 (*Receiving Account 2 — Trapped Amount*).

“**Hedging Arrangement**” means any master agreement, confirmation, schedule or other agreement entered into or to be entered into by the Borrower and a Hedging Provider for the purpose of hedging the types of liabilities and/or risks in relation to this Agreement.

“**Hedging Provider**” has the meaning given to that term in Clause 23.17 (c) (*Treasury transaction*).

“**Hedging Termination**” means the termination or close out (whether partial or total) of that Hedging Arrangement either made by the Borrower or the Hedging Provider(s).

“**Hedging Termination Proceeds**” means any amount payable to or received by or on half of the Borrower as a result of the Hedging Termination, together with any due and payable interest accruing on any such amount.

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“**Holding Company**” means, in relation to a person, any other person in respect of which it is a Subsidiary.

“**IDC License**” means a value-added telecommunications business operating license issued by MIIT to the Guarantor on 8 April 2015, with a valid term ending on 14 November 2018 and license No. B1. B2 — 20130270, including any updated or renewed license issued from time to time.

“**IDC License Memo**” means the written advice by King & Wood Mallesons in relation to the renewal IDC License upon its expiry.

“**Indirect Tax**” means any goods and services tax, consumption tax, value added tax or any tax of a similar nature.

“**Initial Fee Letter**” means the letters dated 17 September 2015 and made by and between one or more Administrative Parties and the Borrower setting out the fees payable by the Borrower in respect of the Facility A and Facility B.

“**Insurance Assignment Agreement (Project SZ1)**” means an assignment of Insurances in relation to the movable assets of Project SZ1 dated 17 September 2015 and made by and between the Borrower and the Security Agent, as amended by the Supplemental Insurance Assignment Agreement (SZ1).

“**Insurance Assignment Agreement (Project SZ2)**” means an assignment of Insurances in relation to the movable assets of Project SZ2 dated on or about the Project SZ2 Completion Date and made by and between the Borrower and the Security Agent.

“**Insurance Assignment Agreement (Project SZ3)**” means an assignment of Insurances in relation to the movable assets of Project SZ3 dated on or about the Project SZ3 Completion Date and made by and between the Borrower and the Security Agent.

“**Insurances**” means all contracts and policies of insurance of any kind relating to the Borrower and the Projects taken out or, as the context requires, to be taken out from time to time and maintained in each case in accordance with Clause 23.16 (*Insurances*) by or on behalf of the Borrower, and such other policy or contract of insurance as the Facility Agent and the Borrower agree shall be an Insurance.

“**Insurance Proceeds**” means all proceeds of the Insurances payable to or received by or on behalf of the Borrower, but excluding any such proceeds payable to a third party claimant and the Excluded Insurance Proceeds and the Compensation.

“**Interest Coverage Ratio**” or “**ICR**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Interest Payment Date**” means each of 21st March, 21st June, 21st September and 21st December in each year, and the Final Repayment Date.

“**Interest Period**” means each period determined under this Agreement by reference to which interest on the Loans are calculated.

“**Interest Relevant Percentage**” has the meaning given to that term in Clause 10.1 (*Calculation of interest*).

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“**Intermediate Parent**” means EDC Holding Limited, an exempted company incorporated with limited liability in the Cayman Islands, with its registered address at the offices of Portcullis TrustNet (Cayman) Ltd., The Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, P.O. Box 32052, Grand Cayman KY1-1208, Cayman Islands.

“**Landlord**” means [REDACTED], with its registered address at No. 5 Taohua Road, Futian Free Trade Bond, Shenzhen, the PRC.

“**Lease Agreements**” means:

- (a) a building lease agreement entered into by and between the Landlord and the Borrower on March 9, 2015 (Contract No. BZ2014027J1) with a valid tenor from 1 June 2015 to 31 May 2025;
- (b) a building lease agreement entered into by and between the Landlord and the Parent (whose obligations and rights have subsequently transferred to the Borrower) on 16 July 2012 (Contract No. BZ20120420H1) with a valid tenor from 1 October 2012 to 30 September 2032; and
- (c) a building lease agreement entered into by and between Gangji Logistics (Shenzhen) Co., Ltd. ([REDACTED]) and the Borrower on 6 July 2015 with a valid tenor from 2 November 2015 to 1 November 2030,

in each case, including any amendments thereto or any supplemental documents thereof.

“**Lease Assignment Agreement**” means an assignment of the Lease Agreements of Project SZ1 and Project SZ2 dated 17 September 2015 and made by and between the Borrower and the Security Agent, as amended by the Supplemental Lease Assignment Agreement.

“**Lender**” means:

- (a) any Original Lender; and
- (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 26 (*Changes to the Lenders*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement.

“**Leverage Ratio**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Loan**” means a Facility A Loan, a Facility B Loan or a Facility C Loan (as the case may be).

“**Loan Disbursement Accounts**” means the Facility A Loan Disbursement Account, the Facility B Loan Disbursement Account and the Facility C Loan Disbursement Account.

“**Majority Lenders**” means:

- (a) if there is no Loan then outstanding, a Lender or Lenders whose Commitments then aggregate 66²/₃ per cent. or more of the Total Commitments;

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- (b) if there is no Loan then outstanding and the Total Commitments have been reduced to zero, a Lender or Lenders whose Commitments aggregated 66²/₃ per cent. or more of the Total Commitments immediately before the reduction; or

- (c) at any other time, a Lender or Lenders whose participation in the outstanding Loans and whose Available Commitments then aggregate 66²/₃ per cent. or more of the aggregate of all the outstanding Loans and the Available Commitments of all the Lenders.

“**Market Disruption Event**” means:

- (a) the PBOC ceases to prescribe the PBOC Base Rate; or
- (b) the Facility Agent receives by noon on the first day of an Interest Period notification from any Lender or Lenders, whose shares in the applicable Loan exceed fifty (50) per cent. of that Loan, that the rate of interest hereunder no longer reflects the costs to such Lender in funding and maintaining the applicable Loan.

“**Material Adverse Effect**” means a material adverse effect (or an event which is likely to result in a material adverse change) in (a) the financial condition, operations, performance, properties or prospects of any Obligor, or any Obligor Party’s ability to perform its obligations under the Finance Documents; or (b) the validity or enforceability of any Finance Documents or the rights and remedies of any Finance Party under any of the Finance Documents.

“**Material Credit Documents**” means the Finance Documents, the Back-to-Back Agreements and the GDS Suzhou Trapped Amount Loan Agreement (if any).

“**MIIT**” means the Ministry of Industry and Information Technology of the PRC.

“**MOFCOM**” means the Ministry of Commerce of the PRC or its local counterparty.

“**Month**” means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

- (a) (subject to paragraph (c) below) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day;
- (c) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month; and
- (d) if an Interest Period begins on the last Business Day of a calendar month, that Interest Period shall end on the last Business Day in the calendar month in which that Interest Period is to end.

The above rules will apply only to the last Month of any period.

“**Movable Assets Mortgage Agreement (Project SZ1)**” means a movable assets mortgage agreement in relation to Project SZ1 (other than any Customer Assets) dated 17 September 2015 and made between the Borrower and the Security Agent, as amended and restated by the Supplemental Movable Assets Mortgage Agreement (Project SZ1).

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“**Movable Assets Mortgage Agreement (Project SZ2)**” means a movable assets mortgage agreement in relation to Project SZ2 (other than any Customer Assets) dated on or about of the Project SZ2 Completion Date and made between the Borrower and the Security Agent.

“**Movable Assets Mortgage Agreement (Project SZ3)**” means a movable assets mortgage agreement in relation to Project SZ3 (other than any Customer Assets) dated on or about of the Project SZ3 Completion Date and made between the Borrower and the Security Agent.

“**Net Finance Charges**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**New Lender**” has the meaning given to that term in Clause 26 (*Changes to the Lenders*).

“**New WFOE**” means [REDACTED] with its registered address at Room 4056, 4th Floor, No. 173 Meisheng Road, China (Shanghai) Pilot Free Trade Zone, which is wholly owned, directly or indirectly, by the Ultimate Parent, whose primary purpose is to effectively control the Guarantor and other PRC companies (if any) that hold the IDC License or other value-added telecommunications business operating licenses (if any).

“**New VIE Contracts**” means any arrangement, instrument or agreement that is part of any contractual arrangements enabling the NEW WFOE to exercise effective control over the Guarantor or consolidate the financial condition or results of operation of the Guarantor for the purposes of the consolidated financial statements of the Group.

“**Notification Letter**” means a notice issued or to be issued by the Borrower, GDS Suzhou or the Guarantor (as applicable) to customers under the Service Contracts, in which the customers are notified of information relating to the relevant Receiving Accounts (as applicable) to which the customers are obligated to pay considerations under the Service Contracts.

“**Obligors**” means the Ultimate Parent, the Guarantor, GDS Suzhou and the Borrower and “**Obligor**” means each of them.

“**Obligor Parties**” means:

- (a) the Ultimate Parent, the Intermediate Parent, the Parent, the Guarantor, GDS Suzhou and the Borrower; or
- (b) any other party (other than the Finance Parties and the Hedging Providers) which is a party to any of the Transaction Documents,

and “**Obligor Party**” means each of them.

“**Onshore Security Document**” means:

- (a) Movable Assets Mortgage Agreement (Project SZ1);
- (b) Movable Assets Mortgage Agreement (Project SZ2);
- (c) Movable Assets Mortgage Agreement (Project SZ3);
- (d) Pledge of Receivables (Borrower);
- (e) Pledge of Receivables (Guarantor);

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- (f) Pledge of Receivables (GDS Suzhou);
- (g) Lease Assignment Agreement;
- (h) Insurance Assignment Agreement (Project SZ1);
- (i) Insurance Assignment Agreement (Project SZ2);
- (j) Insurance Assignment Agreement (Project SZ3);
- (k) Subordination Agreement;
- (l) Supplemental Movable Assets Mortgage Agreement (Project SZ1);
- (m) Supplemental Pledge of Receivables (Borrower);
- (n) Supplemental Pledge of Receivables (Guarantor);
- (o) Supplemental Pledge of Receivables (GDS Suzhou);
- (p) Supplemental Lease Assignment Agreement;
- (q) Supplemental Insurance Assignment Agreement (Project SZ1);
- (r) Supplemental Subordination Agreement;
- (s) Amended and Restated Movable Assets Mortgage Agreement (Project SZ1); and
- (t) any other document designated as such by the Facility Agent and the Borrower.

“**Offshore Security Document**” means:

- (a) Ultimate Parent Guarantee;
- (b) Equity Pledge Agreement;
- (c) Supplemental Equity Pledge Agreement;
- (d) Share Mortgage Agreement;
- (e) Confirmatory Share Mortgage Agreement;
- (f) Confirmatory Ultimate Parent Guarantee;
- (g) Confirmatory Letter;
- (h) Amended and Restated Equity Pledge Agreement; and
- (i) any other document designated as such by the Facility Agent and the Borrower.

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“**Offshore Transaction Security**” means any Security created or to be created or any guarantee granted or to be granted by an offshore security provider or an offshore guarantor, under the Offshore Security Document.

“**Operations Account**” has the meaning given to that term in Clause 18.1(a)(ii) (*The Accounts*).

“**Original Financial Statements**” means:

- (a) in relation to the Parent, its audited financial statements for the Financial Year ended 31 December 2014;

- (b) in relation to the Guarantor, its audited financial statements for the Financial Year ended 31 December 2014;
- (c) in relation to GDS Suzhou, its audited financial statements for the Financial Year ended 31 December 2014; and
- (d) in relation to the Borrower, an extract of the minutes of the Group's audit committee for the Financial Year ended 31 December 2014.

“Parent” means EDS (HK) Limited, with its registered address at Unit C&D, 10th Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.

“Party” means a party to this Agreement.

“PBOC” means the People’s Bank of China.

“PBOC Base Rate” means the prevailing official lending rate per annum, as promulgated and announced by PBOC for term loans with a tenor of 1 year to 5 years, for the first Interest Period in respect of a Loan, on the first Utilisation Date of that Loan, and for any following Interest Periods, on the last Interest Payment Date.

“PBOC Information Center” means Credit Reference Centre of the PBOC.

“Permitted Facility A Aggregate Drawdown Amount” means a percentage of the Facility A Commitment set out in the table below under the heading “Permitted Facility A Aggregate Drawdown Amount” corresponding to the “Aggregate Annualised Contract Value” calculated based on a break down delivered to the Facility Agent pursuant to Clause 5.2(a)(x):

Aggregate Annualised Contract Value	Permitted Facility A Aggregate Drawdown Amount
Less than RMB 100,000,000	0%
Less than RMB 110,000,000 but greater than or equal to RMB 100,000,000	70%
Less than RMB 125,000,000 but greater than or equal to RMB 110,000,000	80%
Less than RMB 140,000,000 but greater than or equal to RMB 125,000,000	90%
Greater than or equal to RMB 140,000,000	100%

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“Permitted Facility B Aggregate Drawdown Amount” means a percentage of the Facility B Commitment set out in the table below under the heading “Permitted Facility B Aggregate Drawdown Amount” corresponding to the “Aggregate Annualised Contract Value” calculated based on a break down delivered to the Facility Agent pursuant to Clause 5.2(a)(x):

Aggregate Annualized Contract Value	Permitted Facility B Aggregate Drawdown Amount
Less than RMB 140,000,000	60%
Less than RMB 160,000,000 but greater than or equal to RMB 140,000,000	70%
Less than RMB 190,000,000 but greater than or equal to RMB 160,000,000	80%
Less than RMB 210,000,000 but greater than or equal to RMB 190,000,000	90%
Greater than or equal to RMB 210,000,000	100%

“Permitted Facility C Aggregate Drawdown Amount” means a percentage of the Facility C Commitment set out in the table below under the heading “Permitted Facility C Aggregate Drawdown Amount” corresponding to the “Aggregate Annualised Contract Value” calculated based on a break down delivered to the Facility Agent pursuant to Clause 5.2(a)(x):

Aggregate Annualized Contract Value	Permitted Facility C Aggregate Drawdown Amount
Less than RMB 65,000,000	70%
Less than RMB 75,000,000 but greater than or equal to RMB 65,000,000	80%
Less than RMB 85,000,000 but greater than or equal to RMB 75,000,000	90%
Greater than or equal to RMB 85,000,000	100%

“Pledge of Receivables (Borrower)” means an account receivables pledge agreement in respect of receivables under the Borrower Service Contracts and the Back-to-Back Agreements payable to the Borrower dated 17 September 2015 and made between the Borrower and the Security Agent, as amended by the Supplemental Pledge of Receivables (Borrower).

“Pledge of Receivables (GDS Suzhou)” means an account receivables pledge agreement in respect of receivables under the GDS Suzhou Service Contracts payable to GDS Suzhou dated 17 September 2015 and made between GDS Suzhou and the Security Agent, as amended by the Supplemental Pledge of Receivables (GDS Suzhou).

“Pledge of Receivables (Guarantor)” means an account receivables pledge agreement in respect of receivables under the Guarantor Service Contracts payable to the Guarantor dated on 17 September

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2015 and made between the Guarantor and the Security Agent, as amended by the Supplemental Pledge of Receivables (Guarantor).

“PRC” means the People’s Republic of China, but excluding, for the purpose of the Transaction Documents, Taiwan and the special administrative regions of Hong Kong and Macau.

“Project Document” means:

- (a) each Service Contract;
- (b) each Contractor Agreement;
- (c) each Back-to-Back Agreement;
- (d) each Lease Agreement;
- (e) the GDS Suzhou Inter-company Loan Agreement;
- (f) the GDS Suzhou Trapped Amount Loan Agreement (if any); or
- (g) any other material contract entered into by the Borrower, GDS Suzhou or the Guarantor relating to the Projects and designated by the Facility Agent and the Borrower as a project document.

“Project SZ1” means the design, development, fitting out, maintenance and operation of the data center building rented by the Borrower located at 1st Floor to 7th Floor, No. 5 Taohua Road, Energy Logistics Center 2nd phase, Futian Free Trade Zone, Shenzhen, with a total floor area of 15,000 square meter.

“Project SZ2” means the design, development, fitting out, maintenance and operation of the data center building rented by the Borrower located at 1st Floor to 6th Floor, No. 5 Taohua Road, Energy Logistics Center 1st phase, Futian Free Trade Zone, Shenzhen, with a total floor area of 13,150.24 square meter.

“Project SZ3” means the design, development, fitting out, maintenance and operation of the data center building rented by the Borrower located at No. 51-5, Hongliu Road, Futian Free Trade Zone, Shenzhen, with a total floor area of 8431.6 square meter.

“Project SZ2 Completion” means the date on which the Certificate of Completion is issued in respect of Project SZ2.

“Project SZ3 Completion” means the date on which the Certificate of Completion is issued in respect of Project SZ3.

“Project SZ2 Completion Date” means 31 March 2016.

“Project SZ3 Completion Date” means 31 October 2016.

“Projects” means Project SZ1, Project SZ2 and Project SZ3, and “Project” means each of them.

“Qiuping Huang” means Ms. Huang Qiuping, whose identification number is 31010719611116122X.

“Qualified Service Contract” means a Service Contract with a term of no less than 3 years (inclusive).

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“**Quarter Date**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Quasi-Security**” has the meaning given to that term in Clause 23.4 (*Negative pledge*).

“**Receiving Accounts**” means the Receiving Account 1, the Receiving Account 2 and the Receiving Account 3.

“**Receiving Account 1**” has the meaning given to that term in Clause 18.1(a)(v) (*The Accounts*).

“**Receiving Account 2**” has the meaning given to that term in Clause 18.1(b) (*The Accounts*).

“**Receiving Account 3**” has the meaning given to that term in Clause 18.1(c) (*The Accounts*).

“**Related Fund**” in relation to a fund (the “**first fund**”), means a fund which is managed or advised by the same investment manager or investment adviser as the first fund or, if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

“**Relevant Interbank Market**” means the PRC interbank market.

“**Relevant Jurisdiction**” means, in relation to an Obligor Party:

- (a) its jurisdiction of incorporation;
- (b) any jurisdiction where any asset subject to or intended to be subject to the Transaction Security to be created by it is situated;
- (c) any jurisdiction where it conducts its business; and
- (d) the jurisdiction whose laws govern the perfection of any of the Transaction Security Documents entered into by it.

“**Relevant Period**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Repeating Representations**” means each of the representations and warranties set out in Clause 20.1 (*Status*) to 20.31 (*Sanctions*) (inclusive), other than those specified to be given on a specified date.

“**Representative**” means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

“**Restricted Inter-company Loan**” means any present and future inter-company loan or shareholder loan made to the Borrower by any other member of the Group, other than the Existing Inter-company Loan, but for avoidance of doubt, including the loan under the GDS Suzhou Trapped Amount Loan Agreement (if any) and the GDS Suzhou Inter-company Loan.

“**RMB**” means the lawful currency of the PRC.

“**SAFE**” means the State Administration of Foreign Exchange of the PRC or its local counterpart.

“**SAIC**” means the State Administration of Industry and Commerce of the PRC or its local counterpart.

“**Sanctioned Country**” has the meaning given to that term in Clause 20.31(b) (*Sanctions*).

“**Sanctioned Person**” has the meaning given to that term in Clause 20.31(a) (*Sanctions*).

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“**Sanctions**” means any economic or trade sanctions or restrictive measures enacted, administered, imposed or enforced by the US Department of the Treasury’s Office of Foreign Assets Control (OFAC), the US Department of State, the United Nations Security Council, the European Union, the French Republic, Her Majesty’s Treasury, or any other relevant sanctions authority.

“**Secured Liabilities**” means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of each Obligor Party to any Secured Party under each Transaction Document.

“**Secured Party**” means a Finance Party or a Hedging Provider.

“**Security**” means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

“**Security Property**” means

- (a) the Transaction Security expressed to be granted in favour of the Security Agent as agent for the Secured Parties and all proceeds of that Transaction Security;
- (b) all obligations expressed to be undertaken by an Obligor Party to pay amounts in respect of the Secured Liabilities to the Security Agent as agent for the Secured Parties and secured by the Transaction Security together with all representations and warranties expressed to be given by an Obligor Party in favour of the Security Agent as agent for the Secured Parties; and
- (c) any other amounts or property, whether rights, entitlements, choses in action or otherwise, actual or contingent, which the Security Agent is required by the terms of the Finance Documents to hold as agent on trust for the Secured Parties.

“**Self-controlled Disbursement**” means the method by which the Lenders disburse loan proceeds into a Loan Disbursement Account for the Borrower to determine at its own discretion when and how to pay the proceeds to its respective counterparty and pursuant to the terms of the Finance Documents.

“**Service Contracts**” means the Borrower Service Contracts, the GDS Suzhou Service Contracts and the Guarantor Service Contracts.

“**Share Mortgage Agreement**” means a share mortgage agreement in respect of shares in the Parent held by the Intermediate Parent dated on 17 September 2015 and made by and between the Intermediate Parent and the Security Agent, as confirmed by the Confirmatory Share Mortgage Agreement and the Confirmatory Letter.

“**Sponsor**” means Singapore Technologies Telemedia Limited of Singapore, with its registered address at 1 Temasek Avenue, #33-01 Millenia Tower, Singapore 039192.

“**Subordination Agreement**” means a subordination agreement in respect of inter-company loans or shareholder loans made to the Borrower (other than the Existing Inter-company Loan) by the Parent, GDS Suzhou or any other member of the Group dated on 17 September 2015 and made by and between, among others, the Borrower, GDS Suzhou, the Parent and the Security Agent, as amended by the Supplemental Subordination Agreement.

“**Subsidiary**” means, in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (c) more than half the issued equity share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation; or
- (d) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

“**Supplemental Account Control Agreement**” means the supplemental account control agreement dated on or about the date of the Amendment Agreement and made by and between the Borrower, the Guarantor, GDS Suzhou, the Account Bank and the Facility Agent in respect of the Account Control Agreement.

“**Supplemental Equity Pledge Agreement**” means the supplemental equity pledge agreement dated on or about the date of the Amendment Agreement and made by and between the Borrower, the Parent and the Security Agent in respect of the Equity Pledge Agreement, pursuant to which the Parent further pledges its equity interests corresponding to its additional registered capital of US\$ 11,100,000.00 in the Borrower in favour of the Security Agent (on behalf of all Secured Parties).

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“**Supplemental Insurance Assignment Agreement (Project SZ1)**” means a supplemental insurance assignment agreement (Project SZ1) dated on or about the date of the Amendment Agreement and made by and between the Borrower and the Security Agent in respect of the Insurance Assignment Agreement (Project SZ1).

“**Supplemental Lease Assignment Agreement**” means a supplemental agreement in respect of the Lease Assignment Agreement and the assignment of Lease Agreement of Project SZ3 dated on or about the date of the Amendment Agreement and made by and between the Borrower and the Security Agent.

“**Supplemental Movable Assets Mortgage Agreement (Project SZ1)**” means a supplemental agreement in respect of the Movable Assets Mortgage Agreement (Project SZ1) dated on or about the date of the Amendment Agreement and made between the Borrower and the Security Agent.

“**Supplemental Pledge of Receivables (Borrower)**” means the supplemental agreement in respect of the Pledge of Receivables (Borrower) dated on or about the date of the Amendment Agreement and made between the Borrower and the Security Agent.

“**Supplemental Pledge of Receivables (GDS Suzhou)**” means the supplemental agreement in respect of the Pledge of Receivables (GDS Suzhou) dated on or about the date of the Amendment Agreement and made between the Borrower and the Security Agent.

“**Supplemental Pledge of Receivables (Guarantor)**” means the supplemental agreement in respect of the Pledge of Receivables (Guarantor) dated on or about the date of the Amendment Agreement and made between the Borrower and the Security Agent.

“**Supplemental Subordination Agreement**” means the supplemental agreement in respect of the Subordination Agreement dated on or about the date of the Amendment Agreement and made by and between, among others, the Borrower, GDS Suzhou, the Parent and the Security Agent.

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“**Tax**” means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

“**Test Date**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Total Commitments**” means at any time the aggregate of the Total Facility A Commitments, the Total Facility B Commitments and the Total Facility C Commitments.

“**Total Facility A Commitments**” means the aggregate of the Facility A Commitments (being RMB 150,000,000 at the date of this Agreement).

“**Total Facility B Commitments**” means the aggregate of the Facility B Commitments (being RMB 280,000,000 at the date of this Agreement).

“**Total Facility C Commitments**” means the aggregate of the Facility C Commitments (being RMB 100,000,000 at the date of the Amendment Agreement).

“**Total Investment Amount**” means, in relation to a Project, total amount that is required to be available for completing that Project, in each case not more than the total investment amount as shown in the Business Plan for that Project, being RMB 287,300,000 for the Project SZ1, RMB 354,300,000 for the Project SZ2, and RMB 167,700,000 for the Project SZ3, as of the date of the Amendment Agreement.

“**Total Net Debt**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

“**Transaction Documents**” means the Finance Documents and the Hedging Arrangements.

“**Transaction Expenses**” has the meaning given to that term in Clause 17.1 (*Transaction expenses*).

“**Transaction Security**” means the Security created or evidenced or expressed to be created or evidenced under the Transaction Security Documents.

“**Transaction Security Document**” means:

- (a) each Onshore Security Document;
- (b) each Offshore Security Document;
- (c) any other document evidencing or creating or expressed to evidence or create Security over any asset to secure any obligation of any Obligor Party to a Secured Party under the Transaction Documents; or
- (d) any other document designated as such by the Security Agent and the relevant Obligor Party.

“**Transfer Certificate**” means a certificate substantially in the form set out in Schedule 4 (*Form of Transfer Certificate*) or any other form agreed between the Facility Agent and the Borrower.

“**Transfer Date**” means, in relation to an assignment or a transfer, the later of:

- (a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and

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- (b) the date on which the Facility Agent executes the relevant Assignment Agreement or Transfer Certificate.

“**Ultimate Parent Guarantee**” means a corporate and completion guarantee dated on 17 September 2015 and made by and between the Ultimate Parent and the Security Agent, as confirmed by the Confirmatory Ultimate Parent Guarantee and the Confirmatory Letter.

“**Unpaid Sum**” means any sum due and payable but unpaid by an Obligor Party under the Finance Documents.

“**US**” means the United States of America.

“**US Tax Obligor**” means:

- (a) an Obligor Party which is resident for tax purposes in the US; or
- (b) an Obligor Party some or all of whose payments under the Finance Documents are from sources within the US for US federal income tax purposes.

“**Utilisation**” means a utilisation of a Facility.

“**Utilisation Date**” means the date of a Utilisation, being the date on which the relevant Loan is to be made.

“**Utilisation Request**” means a notice substantially in the form set out in Schedule 3 (*Utilisation Request*).

“**Utilisation Evidence**” means the Evidence of Facility A Utilisation, the Evidence of Facility B Utilisation and the Evidence of Facility C Utilisation.

“**VIE Acquisition**” means an acquisition of all equity interests in GDS Suzhou by the Guarantor, as a result of which GDS Suzhou will subsequently become a wholly owned Subsidiary of the Guarantor.

“**VIE Capital Increase**” means an increase in the registered capital of the Guarantor by way of a capital contribution of RMB 285,500,000 by William Huang, which will be paid up prior to the expiry of the Guarantor’s business term as recorded in the business license of the Guarantor.

“**VIE Contracts**” means the Existing VIE Contracts and the New VIE Contracts.

“**VIE Equity Pledges**” means the Existing VIE Equity Pledge, the VIE Equity Pledge (Guarantor), the VIE Equity Pledge (William Huang) and the VIE Equity Pledge (Qiuping Huang).

“**VIE Equity Pledge (Guarantor)**” means a pledge over the equity interests in GDS Suzhou held by the Guarantor in favour of the New WFOE as contemplated under the New VIE Contracts.

“**VIE Equity Pledge (William Huang)**” means a pledge over the equity interests in the Guarantor held by William Huang in favour of the New WFOE as contemplated under the New VIE Contracts.

“**VIE Equity Pledge (Qiuping Huang)**” means a pledge over the equity interests in the Guarantor held by Qiuping Huang in favour of the New WFOE as contemplated under the New VIE Contracts.

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“**VIE Equity Transfer**” means the transfer of around 0.03% equity interests in the Guarantor from William Huang to Qiuping Huang, as a result of which William Huang will own around 99.97% equity interests in the Guarantor and Qiuping Huang will own around 0.03% equity interests in the Guarantor.

“**VIE Restructuring**” means the restructuring of the shareholding of the Guarantor to ensure that the equity interests of the Guarantor are legally held by William Huang and Qiuping Huang respectively, and beneficially owned by the New WFOE by way of:

- (a) the VIE Capital Increase;
- (b) wind-up of Existing VIE Contracts and de-registration of the Existing VIE Equity Pledge;
- (c) the VIE Acquisition;
- (d) the VIE Equity Transfer;
- (e) signing of all New VIE Contracts; and
- (f) completion of all requirements contemplated under the New VIE Contracts.

“**Waterfall Date**” means the 15th day of each calendar month.

“**William Huang**” means Mr. Huang Wei, whose identification number is 31010719671101125X.

“**Working Capital**” has the meaning given to that term in Clause 22.1 (*Financial definitions*).

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
 - (i) any “**Administrative Party**”, the “**Facility Agent**”, any “**Mandated Lead Arranger**”, any “**Finance Party**”, any “**Secured Party**” any “**Lender**”, any “**Obligor**”, any “**Obligor Party**”, any “**Party**”, the “**Security Agent**”, the “**Account Bank**” or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees and, in the case of the Security Agent, any person for the time being appointed as Security Agent or Security Agents in accordance with the Finance Documents;
 - (ii) “**assets**” includes present and future properties, revenues and rights of every description;
 - (iii) a “**Finance Document**”, a “**Material Credit Document**”, a “**Project Document**”, a “**Transaction Document**” or any other agreement or instrument is a reference to that Finance Document, Material Credit Document, Project Document, Transaction Document or other agreement or instrument as amended, novated, supplemented, extended or restated;
 - (iv) “**including**” shall be construed as “including without limitation” (and cognate expressions shall be construed similarly);
 - (v) “**indebtedness**” includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vi) a Lender’s “**participation**” in a Loan or Unpaid Sum includes an amount (in the currency of such Loan or Unpaid Sum) representing the fraction or portion (attributable to such Lender by virtue of the provisions of this Agreement) of the total amount of such Loan or Unpaid Sum and the Lender’s rights under this Agreement in respect thereof;

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- (vii) a “**person**” includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
 - (viii) a “**regulation**” includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (ix) a provision of law is a reference to that provision as amended or re-enacted; and
 - (x) a time of day is a reference to Beijing time.
- (b) Section, Clause and Schedule headings are for ease of reference only.
 - (c) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
 - (d) A Default or an Event of Default is “**continuing**” if it has not been remedied or waived.
 - (e) Where this Agreement specifies an amount in a given currency (the “**specified currency**”) “**or its equivalent**”, the “**equivalent**” is a reference to the amount of any other currency which, when converted into the specified currency utilising the Facility Agent’s spot rate of exchange for the purchase of the specified currency with that other currency at or about 11 a.m. on the relevant date, is equal to the relevant amount in the specified currency.

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SECTION 2 THE FACILITIES

2. THE FACILITIES

2.1 The Facilities

Subject to the terms of this Agreement and (in respect of paragraph (c) below) the Amendment Agreement, the Lenders make available to the Borrower:

- (a) a term loan facility in an aggregate amount equal to the Total Facility A Commitments;
- (b) a term loan facility in an aggregate amount equal to the Total Facility B Commitments; and
- (c) a term loan facility in an aggregate amount equal to the Total Facility C Commitments.

2.2 Extension of Facility B Availability Period

- (a) The Borrower may by giving prior notice to the Facility Agent by no later than fifteen (15) Business Days request that the Facility B Availability Period be extended to a date not later than the date falling 26 Months after the date of this Agreement.
- (b) Any extension of the Facility B Availability Period will only be effective upon written consent of all Lenders.
- (c) The Borrower may only request to extend the Facility B Availability Period no more than two times.

2.3 Finance Parties’ rights and obligations

- (a) The obligations of the Finance Parties under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of the Finance Parties under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from an Obligor shall be a separate and independent debt.
- (c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3. PURPOSE

3.1 Purpose

- (a) The Borrower shall apply all amounts borrowed by it under Facility A towards:
- (i) the repayment of the outstanding amount of the Borrower under the Existing Inter-company Loan (Project SZ1); and
 - (ii) the payment of the Capital Expenditures of the Project SZ1 in accordance with the Business Plan and the Budget (including the Existing Deferred Payment that is used for the Capital Expenditures purpose).
- (b) The Borrower shall apply all amounts borrowed by it under Facility B towards:

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- (i) the repayment of the outstanding amount of the Borrower under the Existing Inter-company Loan (Project SZ2); and
 - (ii) the payment of the Capital Expenditures of the Project SZ2 in accordance with the Business Plan and the Budget (including the Existing Deferred Payment that is used for the Capital Expenditures purpose).
- (c) The Borrower shall apply all amounts borrowed by it under Facility C towards:
- (i) the repayment of the outstanding amount of the Borrower under the Existing Inter-company Loan (Project SZ3); and
 - (ii) the payment of the Capital Expenditures of the Project SZ3 in accordance with the Business Plan and the Budget.
- (d) The Borrower may not use any Loan for any other purpose, including, without limitation, using any Loan for share capital equity investment, using any Loan for venturing operation in any securities market, futures market or other similar domain, or using any Loan to/for any other investment or business that is prohibited under the Governmental Rules.

3.2 Monitoring

- (a) Unless otherwise expressly required by the Governmental Rules, no Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.
- (b) The Parties hereby expressly waive any obligation on the part of any Finance Party to so monitor or verify, to the fullest extent permitted by the Governmental Rules.
- (c) To the extent any Governmental Rules at any time require any Finance Party to monitor or verify any application of any Loan proceeds hereunder, the Borrower shall fully co-operate with that Finance Party and promptly upon reasonable request from that Finance Party, provide to that Finance Party any information or confirmation or other documents to evidence the purpose for which the proceeds of the Loan have been used.
- (d) In any event, the failure by any Finance Party to so monitor or verify shall not give rise to any defence by the Borrower or any other Obligor regarding its payment and performance of the Secured Liabilities or otherwise reduce, release or prejudice the Borrower or any other Obligor's obligations under the Finance Documents.

4. CONDITIONS OF UTILISATION AND CONDITIONS SUBSEQUENT

4.1 Initial conditions precedent

- (a) The Borrower may not deliver a Utilisation Request under Facility A unless the Facility Agent has received all of the documents and other evidence listed in Part I (*Conditions Precedent to Initial Utilisation for All Facilities*) of Schedule 2 (*Conditions precedent and conditions subsequent*) and Part II (*Conditions Precedent to Initial Utilisation for Facility A*) of Schedule 2 (*Conditions precedent and conditions subsequent*) in form and substance satisfactory to the Facility Agent.
- (b) The Borrower may not deliver a Utilisation Request under Facility B unless the Facility Agent has received all of the documents and other evidence listed in Part I (*Conditions Precedent to Initial Utilisation for All Facilities*) of Schedule 2 (*Conditions precedent and conditions subsequent*) and Part

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III (*Conditions Precedent to Initial Utilisation for Facility B*) of Schedule 2 (*Conditions precedent and conditions subsequent*) in form and substance satisfactory to the Facility Agent.

- (c) The Borrower may not deliver a Utilisation Request under Facility C unless the Facility Agent has received all of the documents and other evidence listed in Part V (*Facility C Initial Conditions Precedent*) of Schedule 2 (*Conditions precedent and conditions subsequent*) in form and substance satisfactory to the Facility Agent.
- (d) The Facility Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.

4.2 Conditions precedent to Utilisation of Facility B beyond 60% of the Total Facility B Commitments

- (a) The Borrower may not deliver a Utilisation Request under Facility B which will result in the total amount utilized under the Facility B exceeds 60% of the Total Facility B Commitments unless the Facility Agent has received all of the documents and other evidence listed in Part IV (*Conditions Precedent to Utilisation of Facility B beyond 60% of the Total Facility B Commitments*) of Schedule 2 (*Conditions precedent and conditions subsequent*) in form and substance satisfactory to the Facility Agent.
- (b) The Facility Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.

4.3 Conditions precedent to Utilisation of Facility C beyond 70% of the Total Facility C Commitments

- (a) The Borrower may not deliver a Utilisation Request under Facility C which will result in the total amount utilized under the Facility C exceeds 70% of the Total Facility C Commitments unless the Facility Agent has received all of the documents and other evidence listed in Part VI (*Conditions Precedent to Utilisation of Facility C beyond 70% of the Total Facility C Commitments*) of Schedule 2 (*Conditions precedent and conditions subsequent*) in form and substance satisfactory to the Facility Agent.
- (c) The Facility Agent shall notify the Borrower and the Lenders promptly upon being so satisfied.

4.4 Further conditions precedent

The Lenders will be obliged to comply with Clause 5.4 (*Lenders' participation*) only if on the date of the Utilisation Request and on the proposed Utilisation Date:

- (a) no Event of Default is continuing or would result from the proposed Loan;
- (b) none of the circumstances described in Clause 8.1 (*Change of control*) has occurred;
- (c) all representations and warranties made by each Obligor Party in each Finance Document are true and correct in all material respects with reference to the facts and circumstances then subsisting;
- (d) no event or circumstance which could reasonably be expected to have a Material Adverse Effect exists, has occurred or might occur;
- (e) no any Force Majeure has occurred or might occur;
- (f) in respect of a Utilization of a Facility, the ratio of the paid-up registered capital and the total registered capital of the Borrower is not less than the ratio of the total outstanding amount of the Loan(s) applicable to that Facility and the Total Commitments in relation to that Facility;

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- (g) in respect of a Utilization of Facility A, the Facility Agent is so satisfied that the construction progress of the Project SZ1 matches with the capital which has been invested into the Project SZ1;
- (h) in respect of a Utilization of Facility B, the Facility Agent is so satisfied that the construction progress of the Project SZ2 matches with the capital which has been invested into the Project SZ2; and
- (i) in respect of a Utilization of Facility C, the Facility Agent is so satisfied that the construction progress of the Project SZ3 matches with the capital which has been invested into the Project SZ3.

4.5 Conditions subsequent documents

(a) Each Obligor shall deliver to the Facility Agent on the specified date all of the documents and evidence set out in Part VII (*Conditions Subsequent*) of Schedule 2 (*Conditions precedent and conditions subsequent*) in form and substance reasonably satisfactory to the Facility Agent, unless the Facility Agent has waived or postponed delivery of such document or evidence in writing.

(b) The Facility Agent shall notify the relevant Obligors and the Lenders promptly upon being so satisfied.

4.6 Maximum number of Loans

(a) Unless otherwise agreed by the Facility Agent, the Borrower may not deliver a Utilisation Request if as a result of the proposed Utilisation:

- (i) six (6) or more Facility A Loans would be outstanding;
- (ii) sixteen (16) or more Facility B Loans would be outstanding; or
- (iii) eighteen (18) or more Facility C Loans would be outstanding.

(b) The Borrower may not request that a Loan be divided.

(c) If two or more Interest Periods end on the same date, those Loans will be consolidated into, and treated as, a single Loan on the last day of the Interest Period.

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SECTION 3 UTILISATION

5. UTILISATION

5.1 Delivery of a Utilisation Request

Subject to clause 4.5 (*Maximum number of Loans*) above, the Borrower may utilise a Facility by delivery to the Facility Agent of a duly completed Utilisation Request no later than 11:00 a.m. on the day falling five (5) Business Days before the Utilisation Date.

5.2 Completion of a Utilisation Request

(a) Each Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

- (i) it identifies the Facility to be utilised;
- (ii) the proposed Utilisation Date is a Business Day within the Availability Period applicable to that Facility;
- (iii) the proposed Interest Period of the Loan complies with this Agreement;
- (iv) the currency specified in a Utilisation Request must be in RMB or any other currency agreed by the Parties;
- (v) the amount of the Utilisation complies with Clause 5.3 (*Utilization Amount*);
- (vi) in respect of a Loan that is required to be disbursed by way of the Consigned Disbursement, it specifies the wiring and transfer instructions with respect to the payee's name, the payee's account information, the payment amount and currency, payment purpose and any other information reasonably requested by the Facility Agent;
- (vii) in the case of a Facility A Loan that is required to be disbursed by way of the Consigned Disbursement according to the paragraph (a) of clause 5.5 (*Advance of Loans*), the Utilisation Request is accompanied by certified copies of the following documents (the "**Evidence of Facility A Utilization**"):
 - (A) the Existing Inter-company Loan Agreement (Project SZ1),
 - (B) repayment notice, pay-off statement, invoice or other proof of the Existing Inter-company Loan (Project SZ1) pay-off amount and currency,
 - (C) purchase contracts or orders, invoices, bank account statements or other documentary proof evidencing the proceeds from the Existing Inter-company Loan (Project SZ1) have been applied towards the Capital Expenditures of the Project SZ1,
 - (D) purchase contracts or orders, invoices or other documents which would evidence that the Borrower is obliged to make the payment of the Capital Expenditures of the Project SZ1, and
 - (E) any other underlying transaction documents reasonably requested by the Facility Agent;

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(viii) in the case of a Facility B Loan that is required to be disbursed by way of the Consigned Disbursement according to the paragraph (b) of clause 5.5 (*Advance of Loans*), the Utilization Request is accompanied by certified copies of the following documents (the "**Evidence of Facility B Utilization**"):

- (A) the Existing Inter-company Loan Agreement (Project SZ2),
- (B) repayment notice, pay-off statement, invoice or other proof of the Existing Inter-company Loan (Project SZ2) pay-off amount and currency,
- (C) purchase contracts or orders, invoices, bank account statements or other documentary proof evidencing the proceeds from the Existing Inter-company Loan (Project SZ2) have been applied towards the Capital Expenditures of the Project SZ2,
- (D) purchase contracts or orders, invoices or other documents which would evidence that the Borrower is obliged to make the payment of the Capital Expenditures of the Project SZ2, and
- (E) any other underlying transaction documents reasonably requested by the Facility Agent;

(ix) the Utilization Request for the Facility C Loan is accompanied by certified copies of the following documents (the "**Evidence of Facility C Utilization**"):

- (A) the Existing Inter-company Loan Agreement (Project SZ3),
- (B) repayment notice, pay-off statement, invoice or other proof of the Existing Inter-company Loan (Project SZ3) pay-off amount and currency,
- (C) purchase contracts or orders, invoices, bank account statements or other documentary proof evidencing the proceeds from the Existing Inter-company Loan (Project SZ3) have been applied towards the Capital Expenditures of the Project SZ3,
- (D) purchase contracts or orders, invoices or other documents which would evidence that the Borrower is obliged to make the payment of the Capital Expenditures of the Project SZ3, and
- (E) any other underlying transaction documents reasonably requested by the Facility Agent;

(x) the Utilization Request is accompanied by a certified copy of break down list showing the details of all Service Contracts (including the Contract Value for each Service Contract) together with certified true copies of each duly signed Service Contracts, in each case which would reasonably evidence the amount of the proposed Loan to be utilized under that Utilization Request complies with the requirement as set out in Clause 5.3 (*Utilization Amount*) to the satisfaction of the Facility Agent.

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(b) Only one Loan may be requested in each Utilisation Request.

(c) The Borrower must deliver the first Facility B Utilisation Request within 3 Months after the date of this Agreement.

5.3 Utilization Amount

- (a) Any Utilisation of the Facility A in a Facility A Utilisation Request shall not result in the Permitted Facility A Aggregate Drawdown Amount being exceeded, and the amount of the proposed Facility A Loan must not be more than the Available Facility A.
- (b) Any Utilisation of the Facility B in a Facility B Utilisation Request shall not result in the Permitted Facility B Aggregate Drawdown Amount being exceeded, and the amount of the proposed Facility B Loan must not be more than the Available Facility B.
- (c) Any Utilisation of the Facility C in a Facility C Utilisation Request shall not result in the Permitted Facility C Aggregate Drawdown Amount being exceeded, and the amount of the proposed Facility C Loan must not be more than the Available Facility C.
- (d) Notwithstanding the above, unless the Facility Agent has received all of the documents and other evidence listed in Part IV (*Conditions Precedent to Utilisation of Facility B beyond 60% of the Total Facility B Commitments*) of Schedule 2 (*Conditions precedent and conditions subsequent*) in form and substance satisfactory to the Facility Agent, any Utilisation of the Facility B shall not result in the total amount utilized under the Facility B exceeds 60% of the Total Facility B Commitments.
- (e) Notwithstanding the above, unless the Facility Agent has received all of the documents and other evidence listed in Part VI (*Conditions Precedent to Utilisation of Facility C beyond 70% of the Total Facility C Commitments*) of Schedule 2 (*Conditions precedent and conditions subsequent*) in form and substance satisfactory to the Facility Agent, any Utilisation of the Facility C shall not result in the total amount utilized under the Facility C exceeds 70% of the Total Facility C Commitments.

5.4 Lender's participation

- (a) The Facility Agent shall promptly notify each Lender of the relevant Facility the details of a Utilization Request including amount of its participation in the requested Loan no later than three (3) Business Days prior to the applicable Utilisation Date.
- (b) The amount of each Lender's participation in each Loan will be equal to the proportion borne by its Available Commitment to the Available Facility immediately prior to making the Loan.
- (c) If the conditions set out in Clause 4 (*Conditions of Utilisation and conditions subsequent*), 5.1 (*Delivery of a Utilisation Request*) to 5.3 (*Utilization Amount*) above have been met, each Lender shall make its participation in each Loan available by the Utilisation Date through its Facility Office.
- (d) No Lender is obligated to participate in a Loan if, as a result, its participation in the Loans would exceed its Commitment or the Loans would exceed the Total Commitments.

5.5 Advance of Loans

- (a) Upon a Loan made available by each Lender pursuant to clause 5.4 (*Lender's participation*), the proceeds under such Loan shall be applied as follows:
 - (i) in respect of a Facility A Loan

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(A) if the amount of a Facility A Loan equals or exceeds (the lower of) RMB 5,000,000 or 5% of Total Investment Amount of the Project SZ1, the Consigned Disbursement shall apply, and upon the proceeds being credited in the Facility A Loan Disbursement Account, the Facility Agent shall immediately thereafter remit such proceeds to the account of the payee(s) in accordance with the Facility A Utilisation Request;

(B) if the amount of a Facility A Loan is less than (the lower of) RMB 5,000,000 or 5% of Total Investment Amount of the Project SZ1, the Self-controlled Disbursement shall apply, and all proceeds under such Facility A Loan shall be credited into the Facility A Disbursement Account, and the Borrower may use such Facility A Loan proceeds at its own discretion pursuant to the terms of this Agreement.

(ii) in respect of a Facility B Loan:

(A) if the amount of a Facility B Loan equals or exceeds (the lower of) RMB 5,000,000 or 5% of Total Investment Amount of the Project SZ2, the Consigned Disbursement shall apply, and upon the proceeds being credited in the Facility B Loan Disbursement Account, the Facility Agent shall immediately thereafter remit such proceeds to the account of the payee(s) in accordance with the Facility B Utilisation Request;

(B) if the amount of a Facility B Loan is less than (the lower of) RMB 5,000,000 or 5% of Total Investment Amount of the Project SZ2, the Self-controlled Disbursement shall apply, and all proceeds under such Facility B Loan shall be credited into the Facility B Disbursement Account, and the Borrower may use such Facility B Loan proceeds at its own discretion pursuant to the terms of this Agreement.

(iii) in respect of a Facility C Loan:

(A) if the amount of a Facility C Loan equals or exceeds (the lower of) RMB 5,000,000 or 5% of Total Investment Amount of the Project SZ3, the Consigned Disbursement shall apply, and upon the proceeds being credited in the Facility C Loan Disbursement Account, the Facility Agent shall immediately thereafter remit such proceeds to the account of the payee(s) in accordance with the Facility C Utilisation Request;

(B) if the amount of a Facility C Loan is less than (the lower of) RMB 5,000,000 or 5% of Total Investment Amount of the Project SZ3, the Self-controlled Disbursement shall apply, and all proceeds under such Facility C Loan shall be credited into the Facility C Disbursement Account, and the Borrower may use such Facility C Loan proceeds at its own discretion pursuant to the terms of this Agreement.

(b) Notwithstanding anything to the contrary above,

(i) If any payment that has been made through the Consigned Disbursement is returned to its original payment account due to the incomplete or incorrect specification of payment instruction by the Borrower or for any other reasons, the Facility Agent shall have the rights not to credit the money so returned to the original payment account and can freeze such returned money within the original payment account if it has been credited into the account for whatever reason.

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(ii) No Finance Party shall be held liable for the payment of all sums due under any underlying contracts under the Consigned Disbursement, including any costs or any return of funds from such account(s) to any Loan Disbursement Account for whatsoever reason, unless caused by its gross negligence or wilful misconduct.

(iii) In relation to a Self-controlled Disbursement, the Borrower shall provide to the Facility Agent the applicable Utilisation Evidence within sixty (60) days after each payment with the relevant Loan proceeds or upon request from the Facility Agent from time to time.

(iv) The proceeds of the Loan shall not be paid to any account of the Borrower with any Finance Party (other than the Loan Disbursement Accounts) or any other financial institutions whether or not Consigned Disbursement or Self-controlled Disbursement is to be applied.

(v) Upon the occurrence of any Default, the Facility Agent shall have the right, in its sole discretion, to suspend the disbursement of any Loan, refuse any Utilisation, refuse the withdrawal of any amounts from any Loan Disbursement Account, and/or apply all Utilisations by Consigned Disbursement.

5.6 Cancellation of Available Facility

Unless cancelled earlier in accordance with this Agreement:

- (a) The Facility A Commitments which, at that time, are unutilised shall be immediately cancelled at 5 p.m. on the last day of the Facility A Availability Period.
- (b) The Facility B Commitments which, at that time, are unutilised shall be immediately cancelled at 5 p.m. on the last day of the relevant Facility B Availability Period.
- (c) The Facility C Commitments which, at that time, are unutilised shall be immediately cancelled at 5 p.m. on the last day of the relevant Facility C Availability Period.

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SECTION 4 REPAYMENT, PREPAYMENT AND CANCELLATION

6. REPAYMENT

6.1 Repayment of Facility A Loans

- (a) The Borrower shall repay the Facility A Loans in instalments by repaying on each date specified in the table below (each a “**Facility A Repayment Date**”) an amount that reduces the aggregate outstanding Facility A Loans by a proportion of the aggregate outstanding Facility A Loans as at the close of business on the last day of the Facility A Availability Period, which proportion is set out in the table below beside such Facility A Repayment Date:

Facility A Repayment Date	Percentage
21 st March 2017	3.20%
21 st June 2017	3.20%
21 st September 2017	4.30%
21 st December 2017	4.30%
21 st March 2018	4.40%
21 st June 2018	4.40%
21 st September 2018	4.40%
21 st December 2018	4.40%
21 st March 2019	4.40%
21 st June 2019	4.50%
21 st September 2019	4.50%
21 st December 2019	4.50%
21 st March 2020	4.50%
21 st June 2020	4.50%
Final Repayment Date	40.50%

- (b) Without prejudice to paragraph (a), all of the Facility A Loans must be repaid in full on the Final Repayment Date.
- (c) The Borrower may not reborrow any part of Facility A which is repaid.

6.2 Repayment of Facility B Loans

- (a) The Borrower shall repay the Facility B Loans in instalments by repaying on each date specified in the table below (each a “**Facility B Repayment Date**”) an amount that reduces the aggregate outstanding Facility B Loans by a proportion of the aggregate outstanding Facility B Loans as at the close of business on the last day of the Facility B Availability Period, which proportion is set out in the table below beside such Facility B Repayment Date:

Facility B Repayment Date	Percentage
21 st March 2017	4.00%
21 st June 2017	4.00%
21 st September 2017	4.00%
21 st December 2017	4.10%
21 st March 2018	4.10%

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21 st June 2018	4.10%
21 st September 2018	4.10%
21 st December 2018	4.20%
21 st March 2019	4.20%
21 st June 2019	4.50%
21 st September 2019	4.50%
21 st December 2019	4.50%
21 st March 2020	4.70%
21 st June 2020	4.70%
Final Repayment Date	40.30%

- (b) Without prejudice to paragraph (a), all of the Facility B Loans must be repaid in full on the Final Repayment Date.
- (c) The Borrower may not reborrow any part of Facility B which is repaid.

6.3 Repayment of Facility C Loans

- (a) The Borrower shall repay the Facility C Loans in instalments by repaying on each date specified in the table below (each a “**Facility C Repayment Date**”) an amount that reduces the aggregate outstanding Facility C Loans by a proportion of the aggregate outstanding Facility C Loans as at the close of business on the last day of the Facility C Availability Period, which proportion is set out in the table below beside such Facility C Repayment Date:

Facility C Repayment Date	Percentage
21 st December 2017	5.00%
21 st March 2018	5.00%
21 st June 2018	5.20%
21 st September 2018	5.20%
21 st December 2018	5.20%
21 st March 2019	5.30%
21 st June 2019	5.30%
21 st September 2019	5.30%
21 st December 2019	5.40%
21 st March 2020	5.40%
21 st June 2020	5.40%
Final Repayment Date	42.30%

- (b) Without prejudice to paragraph (a), all of the Facility C Loans must be repaid in full on the Final Repayment Date.
- (c) The Borrower may not reborrow any part of Facility C which is repaid.

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7. PREPAYMENT AND CANCELLATION

7.1 Illegality

If, at any time, it is or will become unlawful in any applicable jurisdiction for a Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in any Loan:

- (a) that Lender shall promptly notify the Facility Agent upon becoming aware of that event and the Facility Agent shall notify the Borrower as soon as reasonably practicable after receiving such notification;
- (b) upon the Facility Agent notifying the Borrower, the Available Commitment of that Lender will be immediately cancelled; and
- (c) the Borrower shall repay that Lender’s participation in the Loans made to it on the last day of the Interest Period for each Loan occurring after the Facility Agent has notified the Borrower or, if earlier, the date specified by the Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law).

7.2 Voluntary cancellation

The Borrower may, if it gives the Facility Agent not less than 5 Business Days’ (or such shorter period as the Majority Lenders may agree) prior notice, reduce an Available Facility to zero or by such amount (being a minimum amount of RMB 5,000,000 and in integral multiple of RMB 1,000,000) as the Borrower may specify in such notice.

7.3 Voluntary prepayment of Loans

- (a) The Borrower may, if it gives the Facility Agent not less than 5 Business Days' (or such shorter period as the Majority Lenders may agree) prior notice, prepay on the relevant Interest Payment Date the whole or any part of any Loan (but, if in part, being an amount that reduces a Loan by a minimum amount of RMB 5,000,000 and in integral multiple of RMB 1,000,000, or the outstanding amount of the Loans).
- (b) If any voluntary prepayment is not made on an Interest Payment Date, the Borrower shall pay the Break Costs, without premium or penalty.
- (c) A Loan may be prepaid only after the last day of the Availability Period (or, if earlier, the day on which the applicable Available Facility is zero).

7.4 Right of prepayment and cancellation in relation to a single Lender

- (a) If:
 - (i) any sum payable to any Lender by an Obligor is required to be increased under paragraph (a) of Clause 13.2 (*Tax gross-up*); or
 - (ii) any Lender claims indemnification from the Borrower or an Obligor under Clause 13.3 (*Tax indemnity*) or Clause 14.1 (*Increased costs*),

the Borrower may, whilst the circumstance giving rise to the requirement for that increase or indemnification continues, give the Facility Agent notice of cancellation of the Commitment of that Lender and its intention to procure the prepayment of that Lender's participation in the Loans.

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- (b) On receipt of a notice of cancellation referred to in paragraph (a) above, the Commitment of that Lender shall immediately be reduced to zero.
- (c) On the last day of each Interest Period which ends after the Borrower has given notice of cancellation under paragraph (a) above (or, if earlier, the date specified by the Borrower in that notice), the Borrower shall prepay that Lender's participation in the relevant Loan.

8. MANDATORY PREPAYMENT AND CANCELLATION

8.1 Change of control

Upon the occurrence of a Change of Control:

- (a) the Borrower shall promptly notify the Facility Agent upon becoming aware of that event;
- (b) a Lender shall not be obliged to fund any Utilisation under a Utilisation Request that has been delivered to the Facility Agent pursuant to this Agreement or any future Utilisations, unless otherwise agreed by all Lenders; and
- (c) the Facility Agent shall be entitled to, by not less than three (3) Business Days' written notice to the Borrower, cancel the Total Commitments and declare all outstanding Loans, together with accrued interest, and all other amounts accrued under the Finance Documents immediately due and payable, whereupon the Total Commitments will be cancelled and all such outstanding amounts will become immediately due and payable.

8.2 Flotation

Upon the occurrence of a Flotation (not resulting in a Change of Control):

- (a) the Borrower shall as soon as reasonably practicable notify the Facility Agent becoming aware of that event;
 - (b) the Borrower shall, within thirty (30) days after the date of the Flotation, apply or procure the application of the Flotation Proceeds to:
 - (i) reduce the Total Facility A Commitments and/or prepay the Facility A Loans, and the total amount so reduced or prepaid shall be up to RMB 60,000,000;
 - (ii) reduce the Total Facility B Commitments and/or prepay the Facility B Loans, and the total amount so reduced or prepaid shall be up to RMB 112,000,000; and
 - (iii) reduce the Total Facility C Commitments and/or prepay the Facility C Loans, and the total amount so reduced or prepaid shall be up to RMB 40,000,000.00,
- by way of:
- (A) firstly, reducing any Available Commitment (and the Facility Agent is hereby authorised by the Borrower to so reduce); and
 - (B) secondly, prepaying an amount of outstanding Facility A Loans, Facility B Loans or Facility C Loans equivalent to the difference between: (x) RMB 60,000,000 for Facility A, RMB 112,000,000 for Facility B and RMB 40,000,000.00 for Facility C, and (y) the amount so reduced pursuant to sub-paragraph (A) above.

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8.3 Disposal proceeds

Upon the occurrence of a Disposal,

- (a) the Borrower shall as soon as reasonably practicable notify the Facility Agent becoming aware of that event; and
- (b) the Borrower shall apply all Disposal Proceeds or cause all Disposal Proceeds to be applied towards the prepayment of the Loans within fourteen (14) days following the receipt of such Disposal Proceeds.

8.4 Compensation

Upon the occurrence of any Compensation:

- (a) the Borrower shall as soon as reasonably practicable notify the Facility Agent of such Compensation;
- (b) the Borrower shall apply or cause to apply all Compensation amount so received towards the prepayment of the Loans within fourteen (14) days following the receipt of such Compensation.

8.5 Insurance proceeds

Upon receipt of any Insurance Proceeds by the Borrower:

- (a) the Borrower shall as soon as reasonably practicable notify the Facility Agent of receipt of such Insurance Proceeds; and
- (b) the Borrower shall apply all of such Insurance Proceeds towards the prepayment of the Loans within fourteen (14) days following receipt of such Insurance Proceeds.

8.6 Excess Cashflow

If at any time the Borrower credits any Excess Cashflow Prepayment Amount into the Excess Cashflow Account pursuant to Clause 18.6 (*Excess Cashflow Account*), the Borrower shall, on the immediate next Interest Payment Date apply all Excess Cashflow Prepayment Amount towards the prepayment of the Loans.

8.7 Non-renewal of IDC License

If the Guarantor fails to renew the IDC License on or before 14 November 2018,

- (a) the Borrower shall immediately notify the Facility Agent upon becoming aware of such non-renewal; and
- (b) the Facility Agent shall be entitled to, by not less than three (3) Business Days' written notice to the Borrower, declare all outstanding Loans, together with accrued interest, and all other amounts accrued under the Finance Documents immediately due and payable, whereupon all such outstanding amounts will become immediately due and payable.

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8.8 Hedging termination proceeds

If the Borrower enters into any Hedging Arrangement pursuant to Clause 23.17 (*Treasury transaction*), and upon the occurrence of a Hedging Termination,

- (a) the Borrower shall promptly notify the Facility Agent upon becoming aware of such event; and
- (b) the Borrower shall apply all Hedging Termination Proceeds (if any) towards the prepayment of the Loans immediately following receipt of such Hedging Termination Proceeds.

9. RESTRICTIONS

9.1 Notices of cancellation or prepayment

Any notice of cancellation or prepayment given by any Party under Clause 7 (*Prepayment and cancellation*) and Clause 8 (*Mandatory Prepayment and cancellation*) shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant cancellation or prepayment is to be made and the amount of that cancellation or prepayment.

9.2 Interest and other amounts

Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid, without premium or penalty, and subject to any Break Costs, if the prepayment is not made on an Interest Payment Date.

9.3 No reborrowing of the Facilities

The Borrower may not reborrow any part of Facilities which is prepaid.

9.4 Prepayment in accordance with Agreement

The Borrower shall not repay or prepay all or any part of the Loans or reduce all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.

9.5 No reinstatement of Commitments

If any Commitment is reduced in accordance with this Agreement, the amount of such reduction may not be subsequently reinstated.

9.6 Agent's receipt of notices

If the Facility Agent receives a notice under Clause 7 (*Prepayment and cancellation*) or Clause 8 (*Mandatory Prepayment and cancellation*) it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.

9.7 Effect of repayment and prepayment on Commitments

If all or part of a Loan is repaid or prepaid and is not available for redrawing, an amount of the Commitments will be deemed to be cancelled on the date of repayment or prepayment. Any cancellation (save in connection with any cancellation under paragraph (b) of Clause 7.1 (*Illegality*) or paragraph (b) of Clause 7.4 (*Right of prepayment and cancellation in relation to a single Lender*)) shall first reduce rateably between the Facility A Commitments, the Facility B Commitments and the Facility C Commitments and then reduce rateably the Commitments of the Lenders in that Facility.

9.8 Application of prepayments

Any prepayment of the Loans (other than a prepayment pursuant to paragraph (c) of Clause 7.1 (*Illegality*) or paragraph (c) of Clause 7.4 (*Right of prepayment and cancellation in relation to a single Lender*)) shall be first applied rateably between the Facility A Loans, the Facility B Loans and the

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Facility C Loans, and then shall satisfy the obligations under Clause 6.1 (*Repayment of Facility A Loans*), Clause 6.2 (*Repayment of Facility B Loans*) or Clause 6.3 (*Repayment of Facility C Loans*) in inverse chronological order and be applied rateably among the participations of all Lenders in that Facility.

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SECTION 5 COSTS OF UTILISATION

10. INTEREST

10.1 Calculation of interest

The rate of interest which shall accrue on each Loan for each Interest Period is (A) Interest Relevant Percentage multiplied by (B) the applicable PBOC Base Rate.

In this Agreement, "**Interest Relevant Percentage**" means 130%, but if:

- (a) no Event of Default has occurred; and
- (b) a period of at least 12 Months has expired since the first Utilisation Date;

then the Interest Relevant Percentage will be the percentage set out in the table below under the heading "Interest Relevant Percentage" which corresponds to the Leverage Ratio specified in the most recent Compliance Certificate delivered to the Facility Agent pursuant to Clause 21.2 (*Compliance Certificate*):

<u>Leverage Ratio</u>	<u>Interest Relevant Percentage</u>
Greater than 3.0:1	130%
Less than or equal to 3.0:1	120%

However,

- (i) any increase or decrease in the Interest Relevant Percentage for the Loans resulting from a change of the Leverage Ratio shall become effective on the immediate next Interest Payment Date;
- (ii) any change in the PBOC Base Rate for the Loans shall only become effective on the immediate next Interest Payment Date; and
- (iii) while an Event of Default is continuing, the Interest Relevant Percentage shall be the highest percentage set out above.

10.2 Payment of interest

Except where it is provided to the contrary in this Agreement, the Borrower shall pay accrued interest on the Loans on each Interest Payment Date, except that if the first Interest Period is less than 1 Month to the first Interest Payment Date, the interests on the Loans for the first Interest Period shall accrue to and be payable on the second Interest Payment Date.

10.3 Default interest

- (a) If an Obligor Party fails to pay any amount payable by it under a Finance Document on its due date, interest shall accrue on the Unpaid Sum from the due date to the date of actual payment (both before and after judgment) at the applicable Default Rate. Any interest accruing under this paragraph (a) shall be immediately payable by the Obligor Party on demand by the Facility Agent.
- (b) If the Borrower applies any part of the Loans otherwise as contemplated in Clause 3 (*Purpose*), then notwithstanding any other rights of the Finance Parties under the Finance Documents, the Borrower must immediately on demand by the Facility Agent pay interest on the misappropriated amount from

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and including the date of such misappropriation up to the date of actual payment (both before, on and after judgment) at the applicable Default Rate. Any interest accruing under this paragraph (b) shall be immediately payable by the Borrower on demand by the Facility Agent.

- (c) Default interest (if unpaid) arising on an Unpaid Sum or misappropriated amount will be compounded with the Unpaid Sum or misappropriated amount at each Interest Payment Date, and such Unpaid Sum and misappropriated amount (including the default interest compounded thereto) shall remain immediately due and payable.
- (d) If any Unpaid Sum consists of all or part of a Loan which became due on a day which was not the last day of an Interest Period relating to that Loan:
- (i) the first Interest Period for that Unpaid Sum shall have a duration equal to the unexpired portion of the current Interest Period relating to that Loan; and
 - (ii) the rate of interest applying to the Unpaid Sum during that first Interest Period shall be the applicable Default Rate.

10.4 Notification of rates of interest

The Facility Agent shall promptly notify the relevant Lenders and the Borrower of the determination of a rate of interest under this Agreement.

10.5 Length of Interest Periods

- (a) Each Loan has successive Interest Periods.
- (b) Subject to paragraph (c), each Interest Period shall have a duration of three (3) months.
- (c) Each Interest Period for each Loan will start on (and include) the expiry of its preceding Interest Period and end on, and exclude, the immediately following Interest Payment Date; *provided that*
- (i) the first Interest Period for each Loan shall start on (and include) the first Utilisation Date and end on (and exclude) the immediately following Interest Payment Date;
 - (ii) the last Interest Period for each Loan shall start on (and include) the Interest Payment Date immediately prior to the Final Repayment Date to, but excluding, the Final Repayment Date; and
 - (iii) any Interest Period for any Loan shall not extend beyond the Final Repayment Date.

11. CHANGES TO THE CALCULATION OF INTEREST

11.1 Market disruption

- (a) Subject to any alternative basis agreed and consented to as contemplated by paragraphs (a) and (b) of Clause 11.2 (*Alternative basis of interest or funding*), if a Market Disruption Event occurs in relation to a Loan for any Interest Period, then the rate of interest on each Lender's participation in that Loan for that Interest Period shall reasonably reflect the applicable Lender's demonstrated cost of funds (if higher than then rate of interest) plus a margin comparable to the margin which the Lender is offering for loans in respect of similar transactions to the Facilities, as notified to the Facility Agent by that Lender as soon as practicable and in any event not later than five Business Days before interest is due

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to be paid in respect of that Interest Period (or such later date as may be acceptable to the Facility Agent).

- (b) If a Market Disruption Event occurs, the Facility Agent shall promptly notify the Lenders and the Borrower thereof and the Lender or Lenders (through the Facility Agent) shall provide to the Borrower reasonable evidence of the Market Disruption Event applicable to it at the reasonable request of the Borrower.

11.2 Alternative basis of interest or funding

- (a) If a Market Disruption Event occurs and the Facility Agent or the Borrower so requires, the Facility Agent and the Borrower shall enter into negotiations (for a period of not more than thirty days) with a view to agreeing a substitute basis for determining the rate of interest.
- (b) Any alternative basis agreed pursuant to paragraph (a) above shall, with the prior consent of all the Lenders and the Borrower, be binding on all Parties.
- (c) For the avoidance of doubt, in the event that no substitute basis is agreed at the end of the thirty day period, the rate of interest shall continue to be determined in accordance with Clause 11.1(a) (*Market Disruption*) of this Agreement.

11.3 Break Costs

- (a) The Borrower shall, within three Business Days of demand by a Finance Party, pay to that Finance Party its Break Costs attributable to all or any part of a Loan or Unpaid Sum being paid by the Borrower on a day other than the last day of an Interest Period for that Loan or Unpaid Sum.
- (b) Each Lender shall, as soon as reasonably practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Break Costs for any Interest Period in which they accrue.

12. FEES

12.1 Commitment fee

- (a) The Borrower shall pay to the Facility Agent (for the account of each Lender) a fee in RMB computed and accruing on a daily basis at the rate of:
- (i) commencing from the date falling 1 Month after the date of this Agreement (inclusive), 0.5 per cent. per annum on that Lender's Available Commitment under Facility A for the Facility A Availability Period;
 - (ii) commencing from the date of this Agreement (inclusive), 0.5 per cent. per annum on that Lender's Available Commitment under Facility B for the Facility B Availability Period; and
 - (iii) commencing from the date of the Effective Date (inclusive), 0.5 per cent. per annum on that Lender's Available Commitment under Facility C for the Facility C Availability Period,
- at close of business (in the principal financial centre of the country of the relevant currency) on each day of the relevant Availability Period (inclusive, or, if any such day shall not be a Business Day, at such close of business on the immediately preceding Business Day).
- (b) The accrued commitment fee is payable, whichever is earlier:
- (i) on the last day of each Interest Period;

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- (ii) on the last day of the relevant Availability Period; and
 - (iii) if a Lender's Commitment is reduced to zero before the last day of the relevant Availability Period, on the day on which such reduction to zero becomes effective.

12.2 Structuring fee

The Borrower shall pay to the Mandated Lead Arrangers a structuring fee in the amount and at the times agreed in a Fee Letter.

12.3 Facility Agency fee

The Borrower shall pay to the Facility Agent (for its own account) a facility agency fee in the amount and at the times agreed in a Fee Letter.

12.4 Security agency fee

The Borrower shall pay to the Security Agent (for its own account) a security agency fee in the amount and at the times agreed in a Fee Letter.

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13. TAX GROSS UP AND INDEMNITIES

13.1 Tax definitions

(a) In this Clause 13:

“**Tax Deduction**” means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

“**Tax Payment**” means an increased payment made by an Obligor to a Finance Party under Clause 13.2 (*Tax gross-up*) or a payment under Clause 13.3 (*Tax indemnity*).

(b) Unless a contrary indication appears, in this Clause 13 a reference to “determines” or “determined” means a determination made in the absolute discretion of the person making the determination.

13.2 Tax gross-up

- (a) All payments to be made by an Obligor Party to any Finance Party under the Finance Documents shall be made free and clear of and without any Tax Deduction unless such Obligor Party is required to make a Tax Deduction, in which case the sum payable by such Obligor Party (in respect of which such Tax Deduction is required to be made) shall be increased to the extent necessary to ensure that such Finance Party receives a sum net of any deduction or withholding equal to the sum which it would have received had no such Tax Deduction been made or required to be made.
- (b) The Borrower shall promptly upon becoming aware that an Obligor Party must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender it shall notify the Borrower and that Obligor Party.
- (c) If an Obligor Party is required to make a Tax Deduction, that Obligor Party shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (d) Within thirty days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Obligor Party making that Tax Deduction shall deliver to the Facility Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

13.3 Tax indemnity

- (a) Without prejudice to Clause 13.2 (*Tax gross-up*), if any Finance Party is required to make any payment of or on account of Tax on or in relation to any sum received or receivable under the Finance Documents (including any sum deemed for purposes of Tax to be received or receivable by such Finance Party whether or not actually received or receivable) or if any liability in respect of any such payment is asserted, imposed, levied or assessed against any Finance Party, the Borrower shall, within three Business Days of demand of the Facility Agent, promptly indemnify the Finance Party which suffers a loss or liability as a result against such payment or liability, together with any interest,

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penalties, costs and expenses payable or incurred in connection therewith, provided that this Clause 13.3 shall not apply to:

- (i) any Tax imposed on and calculated by reference to the net income actually received or receivable by such Finance Party (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by such Finance Party but not actually receivable) by the jurisdiction in which such Finance Party is incorporated;
- (ii) any Tax imposed on and calculated by reference to the net income of the Facility Office of such Finance Party actually received or receivable by such Finance Party (but, for the avoidance of doubt, not including any sum deemed for purposes of Tax to be received or receivable by such Finance Party but not actually receivable) by the jurisdiction in which its Facility Office is located; or
- (iii) any Tax related to a FATCA Deduction required to be made by a Party.
- (b) A Finance Party intending to make a claim under paragraph (a) shall notify the Facility Agent of the event giving rise to the claim, whereupon the Facility Agent shall notify the Borrower thereof.
- (c) A Finance Party shall, on receiving a payment from an Obligor Party under this Clause 13.3, notify the Facility Agent.

13.4 Stamp taxes

- (a) All stamp duty, registration and other similar Taxes payable in respect of any Finance Document shall be paid by the relevant Obligor Party, and to the extent required by the PRC law, each Lender respectively.
- (b) Subject to applicable laws and regulations, the Borrower must within fourteen (14) days of demand, indemnify each Finance Party against any reasonable cost, loss or liability that Finance Party incurs in relation to any stamp duty, registration fees or other similar Tax paid or payable in respect of any Finance Document.

13.5 Indirect Tax

- (a) All amounts set out or expressed in a Finance Document to be payable by any Party to a Finance Party shall be deemed to be exclusive of any Indirect Tax. If any Indirect Tax is chargeable on any supply made by any Finance Party to any Party in connection with a Finance Document, that Party shall pay to the Finance Party (in addition to and at the same time as paying the consideration) an amount equal to the amount of the Indirect Tax.
- (b) Where a Finance Document requires any Party to reimburse a Finance Party for any costs or expenses, that Party shall also at the same time pay and indemnify the Finance Party against all Indirect Tax incurred by that Finance Party in respect of the costs or expenses to the extent that the Finance Party reasonably determines that it is not entitled to credit or repayment in respect of the Indirect Tax.

13.6 FATCA Information

(a) Subject to paragraph (c) below, each Party shall, within ten Business Days of a reasonable request by another Party:

(i) confirm to that other Party whether it is:

(A) a FATCA Exempt Party; or

(B) not a FATCA Exempt Party;

(ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party reasonably requests for the purposes of that other Party's compliance with FATCA.

(b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.

(c) Paragraph (a) above shall not oblige any Finance Party to do anything, which would or might in its reasonable opinion constitute a breach of:

(i) any law or regulation;

(ii) any fiduciary duty; or

(iii) any duty of confidentiality.

(d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

13.7 FATCA Deduction and gross-up by Obligor Parties

- (a) If an Obligor Party is required to make a FATCA Deduction, that Obligor Party shall make that FATCA Deduction and any payment required in connection with that FATCA Deduction within the time allowed and in the minimum amount required by FATCA.

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- (b) If a FATCA Deduction is required to be made by an Obligor Party, the amount of the payment due from that Obligor Party shall be increased to an amount which (after making any FATCA Deduction) leaves an amount equal to the payment which would have been due if no FATCA Deduction had been required.
- (c) The Borrower shall promptly upon becoming aware that an Obligor Party must make a FATCA Deduction (or that there is any change in the rate or the basis of a FATCA Deduction) notify the Facility Agent accordingly. Similarly, a Finance Party shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Finance Party. If the Facility Agent receives such notification from a Finance Party it shall notify the Borrower and that Obligor Party.
- (d) Within thirty days of making either a FATCA Deduction or any payment required in connection with that FATCA Deduction, the Obligor Party making that FATCA Deduction or payment shall deliver to the Facility Agent for the Finance Party entitled to the payment evidence reasonably satisfactory to that Finance Party that the FATCA Deduction has been made or (as applicable) any appropriate payment has been paid to the relevant governmental or taxation authority.

13.8 FATCA Deduction by a Finance Party

- (a) Each Finance Party may make any FATCA Deduction it is required by FATCA to make, and any payment required in connection with that FATCA Deduction, and no Finance Party shall be required

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to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction. A Finance Party which becomes aware that it must make a FATCA Deduction in respect of a payment to another Party (or that there is any change in the rate or the basis of such FATCA Deduction) shall notify that Party and the Facility Agent.

- (b) If the Facility Agent is required to make a FATCA Deduction in respect of a payment to a Finance Party under Clause 32.2 (*Distributions by the Facility Agent*) which relates to a payment by an Obligor Party, the amount of the payment due from that Obligor Party shall be increased to an amount which (after the Facility Agent has made such FATCA Deduction), leaves the Facility Agent with an amount equal to the payment which would have been made by the Facility Agent if no FATCA Deduction had been required.
- (c) The Facility Agent shall promptly upon becoming aware that it must make a FATCA Deduction in respect of a payment to a Finance Party under Clause 32.2 (*Distributions by the Facility Agent*) which relates to a payment by an Obligor Party (or that there is any change in the rate or the basis of such a FATCA Deduction) notify the Borrower, the relevant Obligor Party and the relevant Finance Party.
- (d) The Borrower shall (within three Business Days of demand by the Facility Agent) pay to a Finance Party an amount equal to the loss, liability or cost which that Finance Party determines will be or has been (directly or indirectly) suffered by that Finance Party as a result of another Finance Party making a FATCA Deduction in respect of a payment due to it under a Finance Document. This paragraph shall not apply to the extent a loss, liability or cost is compensated for by an increased payment under paragraph (b) above.
- (e) A Finance Party making, or intending to make, a claim under paragraph (d) above shall promptly notify the Facility Agent of the FATCA Deduction which will give, or has given, rise to the claim, following which the Facility Agent shall notify the Borrower.
- (f) A Finance Party must, on receiving a payment from an Obligor Party under this Clause, notify the Facility Agent.

14. INCREASED COSTS

14.1 Increased costs

- (a) Subject to Clause 14.3 (*Exceptions*) the Borrower shall, within fourteen (14) days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party or any of its Affiliates as a result of:
- the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation,
 - compliance with any law or regulation made after the date of this Agreement, or
 - the implementation or application of or compliance with Basel III or any other law or regulation which implements Basel III (whether such implementation, application or compliance is by a government, regulator, Finance Party or any of its Affiliates). The terms "law" and "regulation" in this paragraph (a) shall include, any law or regulation concerning capital adequacy, prudential limits, liquidity, reserve assets or Tax.

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- (b) In this Agreement:

- "**Increased Costs**" means:
 - a reduction in the rate of return from the Facilities or on a Finance Party's (or its Affiliate's) overall capital (including, as a result of any reduction in the rate of return on capital brought about by more capital being required to be allocated by such Finance Party);
 - an additional or increased cost; or
 - a reduction of any amount due and payable under any Finance Document,which is incurred or suffered by a Finance Party or any of its Affiliates to the extent that it is attributable to the undertaking, funding or performance by such Finance Party of any of its obligations under any Finance Document or any participation of such Finance Party in any Loan or Unpaid Sum.
- "**Basel III**" means the global regulatory framework on bank capital and liquidity contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee in December 2010 each as amended, and any other documents published by the Basel Committee in relation to "Basel III".

14.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 14.1 (*Increased costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly notify the Borrower.
- (b) Each Finance Party shall, as soon as practicable after a demand by the Facility Agent, provide a certificate confirming the amount of its Increased Costs.

14.3 Exceptions

- (a) Clause 14.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
- attributable to a Tax Deduction required by law to be made by an Obligor Party;
 - compensated for by Clause 13.3 (*Tax indemnity*) (or would have been compensated for under Clause 13.3 (*Tax indemnity*) but was not so compensated solely because the exclusion in paragraph (a) of Clause 13.3 (*Tax indemnity*) applied);
 - attributable to the wilful breach by the relevant Finance Party or its Affiliates of any law or regulation;
 - attributable to a FATCA Deduction required to be made by an Obligor Party or a Finance Party; or
 - compensated for by paragraph (d) of Clause 13.8 (*FATCA Deduction by a Finance Party*).
- (b) In this Clause 14.3, a reference to a "**Tax Deduction**" has the same meaning given to the term in Clause 13.1 (*Tax definitions*).

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15. MITIGATION BY THE LENDERS

15.1 Mitigation

(a) Each Finance Party shall, in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to, or cancelled pursuant to, any of Clause 7.1 (*Illegality*), Clause 13 (*Tax gross up and indemnities*) or Clause 14 (*Increased costs*), including transferring its rights and obligations under the Finance Documents to another Affiliate or Facility Office.

(b) Paragraph (a) above does not in any way limit the obligations of any Obligor Party under the Finance Documents.

15.2 Limitation of liability

(a) The Borrower shall promptly indemnify each Finance Party for all costs and expenses reasonably incurred by that Finance Party as a result of steps taken by it under Clause 15.1 (*Mitigation*).

(b) A Finance Party is not obliged to take any steps under Clause 15.1 (*Mitigation*) if, in the opinion of that Finance Party (acting reasonably), to do so might be prejudicial to it.

15.3 Conduct of business by the Finance Parties

No provision of this Agreement will:

(a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;

(b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or

(c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

16. OTHER INDEMNITIES

16.1 Currency indemnity

(a) If any sum due from an Obligor Party under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:

(i) making or filing a claim or proof against that Obligor Party; or

(ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

that Obligor Party shall as an independent obligation, within three Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

(b) Each Obligor Party waives any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

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16.2 Other indemnities

(a) The Borrower shall within three Business Days of demand, indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

(i) the occurrence of any Event of Default;

(ii) any information produced or approved by any Obligor Party being or being alleged to be misleading and/or deceptive in any respect;

(iii) a failure by an Obligor Party to pay any amount due under a Finance Document on its due date or in the relevant currency, including without limitation, any cost, loss or liability arising as a result of Clause 30 (*Sharing among the Finance Parties*); or

(iv) a Loan (or part of a Loan) not being prepaid in accordance with a notice of prepayment given by the Borrower.

(b) The Borrower shall within fourteen (14) days of demand, indemnify each Finance Party against any reasonable cost, loss or liability incurred by that Finance Party as a result of:

(v) any enquiry, investigation, subpoena (or similar order) or litigation with respect to any Obligor Party or with respect to the transactions contemplated or financed under this Agreement; or

(vi) funding, or making arrangements to fund, its participation in a Loan requested by the Borrower in a Utilisation Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone).

16.3 Indemnity to the Facility Agent

(a) The Borrower shall within three Business Days of demand, indemnify the Facility Agent against any cost, loss or liability incurred by the Facility Agent as a result of investigating any event which it reasonably believes is a Default.

(b) The Borrower shall within fourteen (14) days of demand, indemnify the Facility Agent against any reasonable cost, loss or liability incurred by the Facility Agent as a result of:

(i) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised; or

(ii) instructing lawyers, accountants, tax advisers, surveyors or other professional advisers or experts as permitted under this Agreement.

16.4 Obligor Parties' indemnity to the Security Agent

(a) Each Obligor Party shall within three Business Days of demand indemnify the Security Agent and each of its delegates, agents or nominees against any cost, loss or liability incurred by any of them as a result of:

(i) the enforcement of the Transaction Security;

(ii) the exercise of any of the rights, powers, discretions and remedies vested in the Security Agent and each of its delegates, agents or nominees by the Finance Documents or by law; or

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(iii) any default by any Obligor Party in the performance of any of the obligations expressed to be assumed by it in the Finance Documents; or

(b) Each Obligor Party shall fourteen (14) days of demand, indemnify the Security Agent and each of its delegates, agents or nominees against any reasonable cost, loss or liability incurred by any of them:

(i) as a result of the taking, holding or protection of the Transaction Security; or

(ii) which otherwise relates to any of the assets subject to the Transaction Security or the performance of the terms of the Finance Documents (otherwise than as a result of its gross negligence or wilful misconduct or default).

17. COSTS AND EXPENSES

17.1 Transaction expenses

The Borrower shall, within fourteen (14) days of demand or as otherwise stated in the respective Finance Documents, pay the Administrative Parties the fees under each Fee Letter and amount of all costs and expenses (including legal fees) (together referred to as the "**Transaction Expenses**") reasonably incurred by any of them in connection with the negotiation, preparation, printing, execution, syndication and perfection of:

(a) this Agreement and any other documents referred to in this Agreement or in a Transaction Security Document; and

(b) any other Finance Documents executed after the date of this Agreement.

17.2 Amendment costs

If (a) an Obligor Party requests an amendment, waiver or consent or (b) an amendment is required or expressly contemplated under a Finance Document, the Borrower shall, within fourteen (14) days of demand, reimburse each of the Facility Agent and the Security Agent for the amount of all costs and expenses (including legal fees) reasonably incurred by the Facility Agent or the Security Agent in responding to, evaluating, negotiating or complying with that request or requirement.

17.3 Enforcement and preservation costs

The Borrower shall, within three Business Days of demand, pay to each Finance Party the amount of all costs and expenses (including legal fees) incurred by that Finance Party in connection with the enforcement of, or the preservation of any rights under, any Finance Document and the Transaction Security and any proceedings instituted by or against that Finance Party as a consequence of it entering into a Finance Document, taking or holding the Transaction Security, or enforcing those rights.

18. CASH MANAGEMENT

18.1 The Accounts

- (a) On or before the date of the first Utilisation Request, the Borrower shall establish the following accounts in its own name with the Account Bank as provided in this Clause 18:
- (i) a RMB debt service reserve account to receive the Debt Service Reserve Amount, as more particularly described in Clause 18.3 (*Debt Service Reserve Account*) (the “**Debt Service Reserve Account**”);
 - (ii) a RMB operations account to receive the operations costs, expenses and taxes, as more particularly described in Clause 18.4 (*Operations Account*) (the “**Operations Account**”);
 - (iii) a RMB debt accrual account to receive certain accrued amount due under the Finance Documents, as more particularly described in Clause 18.5 (*Debt Service Accrual Account*) (the “**Debt Service Accrual Account**”);
 - (iv) a RMB excess cashflow account to receive the Excess Cashflow Prepayment Amount, as more particularly described in Clause 18.6 (*Excess Cashflow Account*) (the “**Excess Cashflow Account**”); and
 - (v) a RMB receiving account to receive all payments paid or payable to the Borrower under the Borrower Service Contracts and the Back-to-Back Agreement in respect of the Projects, as more particularly described in Clause 18.7 (*Receiving Account 1*) (the “**Receiving Account 1**”).
- (b) On or before the date of the first Utilisation Request, the Guarantor shall establish a RMB receiving account to receive all payments paid or payable to the Guarantor under the Guarantor Service Contracts in respect of the Projects, as more particularly described in Clause 18.8 (*Receiving Account 2*) (the “**Receiving Account 2**”) in its own name with the Account Bank as provided in this Clause 18.
- (c) On or before the date of the first Utilisation Request, GDS Suzhou shall establish a RMB receiving account to receive all payments paid or payable to GDS Suzhou under GDS Suzhou Service Contracts in respect of the Projects, as more particularly described in Clause 18.10 (*Receiving Account 3*) (the “**Receiving Account 3**”) in its own name with the Account Bank as provided in this Clause 18.
- (d) Each Account shall be opened and maintained at the Account Bank in the name of the Borrower, GDS Suzhou and the Guarantor respectively.
- (e) The Borrower, GDS Suzhou and the Guarantor shall not have the unilateral right or sole authority to withdraw any funds from any of the Accounts, except for any withdrawal from the Accounts in accordance with this Agreement and the Account Control Agreement.
- (f) The Borrower, GDS Suzhou and the Guarantor shall deliver, or shall cause to be delivered, to the Facility Agent, monthly statements showing all activities in the Accounts and co-operate with the Facility Agent in connection with any audits of the Accounts, of which the audits may be undertaken at the Facility Agent’s sole discretion from time to time.
- (g) The Borrower, GDS Suzhou and the Guarantor shall respectively pay or cause to be paid all Taxes and all servicing and account fees in connection with the Accounts as they become due and payable.

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18.2 Operation of Accounts

- (a) The Borrower, GDS Suzhou and the Guarantor shall:
- (i) maintain the Accounts; and
 - (ii) establish or cause to be established any other accounts if such account(s) is/are required to be opened under any applicable laws or regulations or at the request of any Governmental Agency; *provided* that any such account(s) must be opened with the Account Bank unless otherwise required by the applicable laws or regulations or the relevant Governmental Agency,
- in each case on terms consistent with the principles applicable under the then existing Finance Documents and subject to any terms and conditions the Facility Agent may reasonably specify.

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- (b) The Borrower, GDS Suzhou or the Guarantor shall provide the Facility Agent a breakdown showing the sources and purposes of amounts received in each Receiving Account on each Waterfall Date.
- (c) The Borrower shall ensure no other accounts may be maintained by the Borrower with any other banks or other financial institutions (other than the Account Bank) during the life of the Loans except for the Existing Accounts, and the Borrower shall close the relevant Existing Account by the time as set out in rightmost column in Schedule 8 (*List of Existing Accounts*).
- (d) The Borrower, GDS Suzhou and the Guarantor shall ensure, after 60 days from the date of this Agreement, no any amounts under the Service Contracts may be paid into any other account (other than a Receiving Account).
- (e) Upon the occurrence of an Event of Default, the Security Agent shall be entitled without any prior notice to or consent from the Borrower, GDS Suzhou or the Guarantor or any other person, to offset and apply any or all of the funds in any or all of the Accounts, in its sole discretion and without limitation, to reduce the Secured Liabilities. The Borrower, GDS Suzhou and the Guarantor shall fully cooperate with the Security Agent in the exercise of such rights to the extent the exercise of such rights does not conflict with any applicable law or regulation or any Finance Documents. The rights of the Security Agent in this Clause 18 (*Cash Management*) shall be in addition to all other rights and remedies provided to the Security Agent in the Finance Documents.
- (f) Notwithstanding any other provisions of this Clause 18 (*Cash Management*), the insufficiency of funds on deposit in any Account at any time shall not relieve any Obligor Party from the obligation to make any payments as and when due, whether due pursuant to the Finance Documents or otherwise, and such obligations shall be separate and independent, and not conditioned on any event or circumstance whatsoever.
- (g) Nothing in this Clause 18 (*Cash Management*) shall be construed as imposing an obligation on the Facility Agent or any other Finance Party to be responsible for any payment that any Obligor Party would otherwise be responsible, whether under the Finance Documents or otherwise.

18.3 Debt Service Reserve Account

(a) Debt Service Reserve Amount

On and after the date of first Utilisation Request, the Borrower must ensure that the amount standing to the credit of the Debt Service Reserve Account is at all times not less than the Debt Service under the Finance Documents anticipated to fall due on the next Interest Payment Date (the “**Debt Service Reserve Amount**”).

(b) Payments in

- (i) On or before the date of first Utilisation Request, the Borrower must deposit into the Debt Service Reserve Account an amount sufficient to ensure that the amount standing to the credit of the Debt Service Reserve Account is not less than the Debt Service Reserve Amount as notified by the Facility Agent.
- (ii) On or before the date of the first Facility C Utilisation Request, the Borrower must deposit into the Debt Service Reserve Account an additional amount sufficient to ensure that the amount standing to the credit of the Debt Service Reserve Account is not less than the Debt Service Reserve Amount as notified by the Facility Agent.

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- (iii) If at any time the balance standing to the credit of the Debt Service Reserve Account is less than the Debt Service Reserve Amount in accordance with this Agreement or the Account Control Agreement, the Borrower must immediately, but in any event by no later than three Business Days transfer to the Debt Service Reserve Account an amount sufficient to satisfy the requirement set out in paragraph (a) of this Clause 18.3 (*Debt Service Reserve Amount*).
- (c) Withdrawals

The Borrower may only withdraw amounts from the Debt Service Reserve Account if they are approved by the Facility Agent and applied to pay any amounts due and payable under the Finance Documents at that time but only to the extent that there are insufficient funds in any other Borrower's accounts to meet those payments.

18.4 Operations Account

(a) Payments in

The Borrower must ensure that, on each Waterfall Date, it will transfer the relevant amounts (if any) into the Operations Account pursuant to Clause 18.7(b)(ii).

(b) Withdrawal

The Borrower may only withdraw amounts from the Operations Account if such amounts are applied for the payment of the expenses and Taxes anticipated to be due and payable by the Borrower on or before the next Waterfall Date pursuant to the Business Plan and the Budget.

18.5 Debt Service Accrual Account

(a) Payment in

The Borrower must ensure that, on each Waterfall Date, it shall transfer amounts (if any) into the Debt Service Accrual Account pursuant to Clause 18.7(b)(iii).

(b) Withdrawal

The Borrower may only withdraw amounts from the Debt Service Accrual Account on an Interest Payment Date to apply all amounts standing to the credit of the Debt Service Accrual Account towards the payment of all amounts due on that Interest Payment Date under the Finance Documents.

18.6 Excess Cashflow Account

(a) Payments in

(i) The Borrower shall ensure that as soon as reasonably practicable, and in any event by no later than the Waterfall Date falling immediately after the Borrower was obliged to deliver the financial statements pursuant to Clause 21.1(c) (*Financial Statements*), starting with the Financial Year ending 31 December 2016, it shall deposit into the Excess Cashflow Account an amount (if positive) equal to the relevant percentage of Excess Cashflow for that Financial Quarter of the Borrower as set out in the following table determined by reference to the corresponding Leverage Ratio as shown in the most recent Compliance Certificate then (the "**Excess Cashflow Prepayment Amount**"):

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Leverage Ratio	Percentage of Excess Cashflow
Greater than 3.0:1	100%
Less than or equal to 3.0:1 but greater than 1.5:1	50%
Less than or equal to 1.5:1	0%

(ii) The Borrower shall promptly notify the Facility Agent upon crediting the Excess Cashflow Prepayment Amount into the Excess Cashflow Account.

(b) Withdrawals

The Borrower may only and must withdraw amounts from the Excess Cashflow Account to apply all Excess Cashflow Prepayment Amount towards prepayment of the Loans pursuant to Clause 8.6 (*Excess Cashflow*).

18.7 Receiving Account 1

(a) Payments in

Unless otherwise permitted under this Agreement,

(i) On and after the date of this Agreement, the Borrower must ensure all amounts payable to it under the Back-to-Back Agreements will be directly and immediately paid into the Receiving Account 1.

(ii) Commencing from the date of this Agreement to the date falling 60 days after the date of this Agreement, the Borrower shall use its best endeavours to procure all amounts payable to it under the Borrower Service Contracts will be directly and immediately paid into the Receiving Account 1, and if any amount under the Borrower Service Contracts is paid into any other account (other than the Receiving Account 1), the Borrower shall within three Business Days of receipt of such amount into that account, transfer such amount into the Receiving Account 1.

(iii) Commencing from the 60th day after the date of this Agreement, the Borrower must ensure all amounts payable to it under the Borrower Service Contracts will be directly and immediately paid into the Receiving Account 1.

(iv) In respect with the Project SZ1 and the Project SZ2, on or before the date of the first Utilisation Request and in respect with the Project SZ3, on or before the date of the first Facility C Utilisation Request, the Borrower shall transfer all amounts standing to the credit of each Existing Account attributable to the Projects to the Receiving Account 1.

(v) the Guarantor shall transfer all revenues (other than the Guarantor Trapped Amount) received by the Guarantor under the Guarantor Service Contracts in respect of the Projects to the Receiving Account 1 pursuant to Clause 18.8(b) of this Agreement.

(vi) GDS Suzhou shall transfer all revenues (other than the GDS Suzhou Trapped Amount) received by GDS Suzhou under the GDS Suzhou Service Contracts in respect of the Projects to the Receiving Account 1 pursuant to Clause 18.10(b) of this Agreement.

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(b) Withdrawals

The Borrower may only withdraw amounts from the Receiving Account 1 on each Waterfall Date (unless indicated otherwise) and only if they are applied for the following purposes in the following order:

(i) first, transfer amounts to the Debt Service Reserve Account in accordance with Clause 18.3(b)(iii) of this Agreement;

(ii) second, if any, payment of all expenses including insurance, operational maintenance, Capital Expenditure or other operating expenses and all Taxes anticipated to be due and payable by the Borrower on or before the next Waterfall Date pursuant to the Business Plan and the Budget to the Operations Account;

(iii) third, if any, transfer an amount equal to one-third of the total Debt Service anticipated to be due on the next Interest Payment Date under the Finance Documents to the Debt Service Accrual Account; and

(iv) fourth, transfer any remaining amount to the Excess Cashflow Account in accordance with Clause 18.6(a)(i) of this Agreement (if applicable on that Waterfall Date).

18.8 Receiving Account 2

(a) Payment in

(i) In respect with the Project SZ1 and the Project SZ2, on or before the date of the first Utilisation Request and in respect with the Project SZ3, on or before the date of the first Facility C Utilisation Request, the Guarantor shall transfer all amounts standing to the credit of any account of the Guarantor attributable to the Projects to the Receiving Account 2.

(ii) Commencing from the date of this Agreement to the date falling 60 days after the date of this Agreement, the Guarantor shall use its best endeavours to procure all amounts payable to it under the Guarantor Service Contracts will be directly and immediately paid into the Receiving Account 2, and if any amount under the Guarantor Service Contracts is paid into any other account (other than the Receiving Account 2), the Guarantor shall within three Business Days of receipt of such amount into that account, transfer such amount into the Receiving Account 2.

(iii) Commencing from the 60th day after the date of this Agreement, the Guarantor must ensure all amounts payable to it under the Guarantor Service Contracts (for avoidance of doubt, following a Contract Novation, including the contracts that have been novated from GDS Suzhou to the Guarantor pursuant to paragraph 3 in Part VII (*Conditions subsequent*) of Schedule 2 (*Conditions precedent and conditions subsequent*)) in respect of the Projects will be directly and immediately paid into the Receiving Account 2.

(b) Withdrawals

18.9 Receiving Account 2 — Trapped Amount

- (a) If any amount standing to the credit of the Receiving Account 2 may not be transferred to the Receiving Account 1 pursuant to Clause 18.8(b) of this Agreement due to any financial restrictions or prohibitions on the Guarantor, the Guarantor must provide relevant supporting documents to the satisfaction of the Facility Agent to explain such restrictions or prohibitions, and upon confirmation by the Facility Agent, the remaining amount standing to the credit of the Receiving Account 2 shall constitute a trapped amount (the “**Guarantor Trapped Amount**”).
- (b) Upon any amount being a Guarantor Trapped Amount, the Guarantor shall have no obligation to make the transfer of such Guarantor Trapped Amount to the Receiving Account 1 pursuant to Clause 18.8(b) of this Agreement, but the Guarantor shall not transfer any Guarantor Trapped Amount to any of its other accounts or accounts maintained by any other person without prior written consent of the Facility Agent, except for the application of such Guarantor Trapped Amount towards the payments under paragraph (d) of Clause 19.1 (*Guarantee and indemnity*).
- (c) If, at any time, the restrictions or prohibitions resulting in an amount being a Guarantor Trapped Amount are removed or no longer subsisting, the Guarantor must immediately transfer the amount which was a Guarantor Trapped Amount to the Receiving Account 1.

18.10 Receiving Account 3

- (a) Payment in
 - (i) In respect with the Project SZ1 and the Project SZ2, on or before the date of the first Utilisation Request and in respect with the Project SZ3, on or before the date of the first Facility C Utilisation Request, GDS Suzhou shall transfer all amounts standing to the credit of any account of GDS Suzhou attributable to the Projects to the Receiving Account 3.
 - (ii) Commencing from the date of this Agreement to the date falling 60 days after the date of this Agreement, GDS Suzhou shall use its best endeavours to procure all amounts payable to it under the GDS Suzhou Service Contracts will be directly and immediately paid into the Receiving Account 3, and if any amount under the GDS Suzhou Service Contracts is paid into any other account (other than the Receiving Account 3), GDS Suzhou shall within three Business Days of receipt of such amount into that account, transfer such amount into the Receiving Account 3.
 - (iii) Commencing from the 60th day after the date of this Agreement to the date on which the Contract Novation is completed, GDS Suzhou must ensure all amounts payable to it under the GDS Suzhou Service Contracts in respect of the Projects will be directly and immediately paid into the Receiving Account 3.
 - (iv) Commencing from the date on which the Contract Novation is completed, if any GDS Suzhou Service Contract is not novated from GDS Suzhou to the Guarantor pursuant to paragraph 3 in Part VII (*Conditions subsequent*) of Schedule 2 (*Conditions precedent and conditions subsequent*), GDS Suzhou shall ensure all amounts payable to it under the remaining GDS Suzhou Service Contracts in respect of the Projects will continue to be directly and immediately paid into the Receiving Account 3.

(b) Withdrawals

Subject to Clause 18.11, GDS Suzhou shall transfer all amounts standing to the credit of Receiving Account 3 to the Receiving Account 1 within three Business Days of receipt of such amount. GDS Suzhou may not make any other withdrawal from the Receiving Account 3 unless otherwise permitted under this Agreement.

18.11 Receiving Account 3 — Trapped Amount

- (a) If any amount standing to the credit of the Receiving Account 3 may not be transferred to the Receiving Account 1 pursuant to Clause 18.10(b) of this Agreement due to any financial restrictions or prohibitions on GDS Suzhou, GDS Suzhou must provide relevant supporting documents to the satisfaction of the Facility Agent to explain such restrictions or prohibitions, and upon confirmation by the Facility Agent, the remaining amount standing to the credit of the Receiving Account 3 shall constitute a trapped amount (the “**GDS Suzhou Trapped Amount**”).
- (b) Upon any amount being a GDS Suzhou Trapped Amount, GDS Suzhou and the Borrower shall, to the extent permitted under the Governmental Rules, enter into an inter-company loan arrangement to transfer such GDS Suzhou Trapped Amount from GDS Suzhou to the Borrower (the “**GDS Suzhou Trapped Amount Loan Agreement**”).
- (c) GDS Suzhou and the Borrower agree that such inter-company loan shall constitute a Restricted Inter-company Loan and, without limiting their respective obligations under the Subordination Agreement, the Borrower shall not prepay or repay and GDS Suzhou will not ask for prepayment or repayment of such inter-company loan during the life of the Loans.
- (d) If, at any time, the restrictions or prohibitions resulting in an amount being a GDS Suzhou Trapped Amount are removed or no longer subsisting, GDS Suzhou must immediately transfer the amount which was a GDS Suzhou Trapped Amount to the Receiving Account 1.

SECTION 7 GUARANTEE

19. GUARANTEE AND INDEMNITY

19.1 Guarantee and indemnity

The Guarantor irrevocably and unconditionally jointly and severally:

- (a) guarantees to each Secured Party punctual performance by the Borrower of all Borrower’s obligations under the Transaction Documents;
- (b) undertakes with each Secured Party that whenever the Borrower does not pay any amount when due under or in connection with any Transaction Document, the Guarantor shall immediately on demand pay that amount as if it was the principal obligor;
- (c) agrees with each Secured Party that if any obligation guaranteed by it is or becomes unenforceable, invalid or illegal, it will, as an independent and primary obligation, indemnify that Secured Party immediately on demand against any cost, loss or liability it incurs as a result of the Borrower not paying any amount which would, but for such unenforceability, invalidity or illegality, have been payable by it under any Transaction Document on the date when it would have been due. The amount payable by the Guarantor under this indemnity will not exceed the amount it would have had to pay under this Clause 19 if the amount claimed had been recoverable on the basis of a guarantee; and
- (d) Notwithstanding clause (b) and (c) above, the Guarantor further agrees that, whenever the Borrower has any amount due and payable under or in connection with any Transaction Document, the Security Agent shall be entitled to directly claim against the Guarantor in respect of any amount payable on any due date without first having recourse to the Borrower, and the Guarantor agrees to pay each Secured Party such amount on or before each due date. The Guarantor further irrevocably authorizes the Security Agent to directly deduct any balances in the Receiving Account 2 to pay the amount payable on each due date, and the Security Agent is not required to serve any prior notice for such claim and deduction.

19.2 Continuing guarantee

This guarantee is a continuing guarantee and will extend to the ultimate balance of sums payable by any Obligor Party under the Transaction Documents, regardless of any intermediate payment or discharge in whole or in part.

19.3 Reinstatement

If any discharge, release or arrangement (whether in respect of the obligations of any Obligor Party or any security for those obligations or otherwise) is made by a Secured Party in whole or in part on the basis of any payment, security or other disposition which is avoided or must be restored in insolvency, liquidation, administration or otherwise, without limitation, then the liability of the Guarantor under this Clause 19 will continue or be reinstated as if the discharge, release or arrangement had not occurred.

19.4 Waiver of defences

The obligations of the Guarantor under this Clause 19 will not be affected by an act, omission, matter or thing which, but for this Clause 19, would reduce, release or prejudice any of its obligations under this Clause 19 (without limitation and whether or not known to it or any Secured Party) including:

- (a) any time, waiver or consent granted to, or composition with, any Obligor Party or other person;
- (b) the release of any other Obligor Party or any other person under the terms of any composition or arrangement with any creditor of any Obligor Party;
- (c) the taking, variation, compromise, exchange, renewal or release of, or refusal or neglect to perfect, execute, take up or enforce, any rights against, or security over assets of, any Obligor or other person or any non-presentation or non-observance of any formality or other requirement in respect of any instrument or any failure to realise the full value of any security;
- (d) any incapacity or lack of power, authority or legal personality of or dissolution or change in the members or status of an Obligor Party or any other person;
- (e) any amendment, novation, supplement, extension, restatement (however fundamental and whether or not more onerous) or replacement of any Transaction Document or any other document or security including without limitation any change in the purpose of, any extension of or any increase in any facility or the addition of any new facility under any Transaction Document or other document or security;
- (f) any unenforceability, illegality or invalidity of any obligation of any person under any Transaction Document or any other document or security;
- (g) any insolvency or similar proceedings; or
- (h) this Agreement or any other Transaction Document not being executed by or binding upon any other party.

19.5 Immediate recourse

The Guarantor waives any right it may have of first requiring any Secured Party (or any trustee or agent on its behalf) to proceed against or enforce any other rights or security or claim payment from any person before claiming from the Guarantor under this Clause 19. This waiver applies irrespective of any law or any provision of a Transaction Document to the contrary.

19.6 Appropriations

Until all amounts which may be or become payable by the Obligor Parties under or in connection with the Transaction Documents have been irrevocably paid in full, each Secured Party (or any trustee or agent on its behalf) may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by that Secured Party (or any trustee or agent on its behalf) in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise) and the Guarantor shall not be entitled to the benefit of the same; and
- (b) hold in an interest-bearing suspense account any moneys received from the Guarantor or on account of its liability under this Clause 19.

19.7 Deferral of Guarantors' rights

Until all amounts which may be or become payable by the Obligor Parties under or in connection with the Transaction Documents have been irrevocably paid in full and unless the Facility Agent otherwise directs, the Guarantor will not exercise or otherwise enjoy the benefit of any right which it may have

by reason of performance by it of its obligations under the Transaction Documents or by reason of any amount being payable, or liability arising, under this Clause 19:

- (a) to be indemnified by an Obligor Party;
- (b) to claim any contribution from any other guarantor of or provider of security for any Obligor Party's obligations under the Transaction Documents;
- (c) to take the benefit (in whole or in part and whether by way of subrogation or otherwise) of any rights of the Secured Parties under the Transaction Documents or of any other guarantee or security taken pursuant to, or in connection with, the Transaction Documents by any Secured Party;
- (d) to bring legal or other proceedings for an order requiring any Obligor Party to make any payment, or perform any obligation, in respect of which the Guarantor has given a guarantee, undertaking or indemnity under Clause 19.1 (*Guarantee and Indemnity*);
- (e) to exercise any right of set-off against any Obligor Party; and/or
- (f) to claim or prove as a creditor of any Obligor Party in competition with any Secured Party.

If the Guarantor shall receive any benefit, payment or distribution in relation to any such right it shall hold that benefit, payment or distribution (or so much of it as may be necessary to enable all amounts which may be or become payable to the Secured Parties by the Obligor Parties under or in connection with the Transaction Documents to be paid in full) on trust for the Secured Parties, and shall promptly pay or transfer the same to the Facility Agent or as the Facility Agent may direct for application in accordance with Clause 32 (*Payment mechanics*).

19.8 Additional security

This guarantee is in addition to and is not in any way prejudiced by any other guarantee or security now or subsequently held by any Secured Party.

**SECTION 8
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT**

20. REPRESENTATIONS

Each Obligor makes the representations and warranties set out in this Clause 20 to each Finance Party on the date of this Agreement.

20.1 Status

- (a) Each Obligor Party is a corporation, duly incorporated and validly existing, and in the case of the Ultimate Parent, in good standing under the laws of the jurisdiction of its incorporation.
- (b) Each Obligor Party and its Subsidiaries has the power to own its assets and carry on its business as it is being conducted.
- (c) Each Obligor Party is not a FATCA FFI or a US Tax Obligor.

20.2 Binding obligations

- (a) The obligations expressed to be assumed by each Obligor Party in each Finance Document are, subject to any general principles of law limiting its obligations which are specifically referred to in any legal opinion delivered under this Agreement, legal, valid, binding and enforceable obligations.
- (b) Without limiting the generality of paragraph (a) above, each Transaction Security Document to which an Obligor Party is a party creates the security interests which that Transaction Security Document purports to create and those security interests are valid and effective.

20.3 Non-conflict with other obligations

The entry into and performance by each Obligor Party of, and the transactions contemplated by, the Finance Documents and the granting of the Transaction Security do not and will not conflict with:

- (a) any law or regulation applicable to it;
- (b) its constitutional documents; or
- (c) any agreement or instrument binding upon it or any of its assets.

20.4 Power and authority

Each Obligor Party has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Finance Documents to which it is a party and the transactions contemplated by those Finance Documents.

20.5 Validity and admissibility in evidence

Except for approval or registration of the Transaction Security Documents referred to in Clause 20.8 (*No filing or stamp taxes*), all Authorisations required or desirable:

- (a) to enable each Obligor Party lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;
- (b) to make the Finance Documents to which an Obligor Party is a party admissible in evidence in its Relevant Jurisdiction; and
- (c) for each Obligor Party to carry on its business, and which are material,

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have been obtained or effected and are in full force and effect.

20.6 Governing law and enforcement

- (a) The choice of governing law of the Finance Documents will be recognised and enforced in the jurisdiction of incorporation of each Obligor Party, and any jurisdiction where any asset subject to or intended to be subject to the Transaction Security Documents is located and any jurisdiction where they conduct their business.
- (b) Any judgment obtained in relation to a Finance Document in the jurisdiction of the governing law of that Finance Document will be recognised and enforced in the jurisdiction of incorporation of each Obligor Party, and any jurisdiction where any asset subject to or intended to be subject to the Transaction Security Documents is located and any jurisdiction where they conduct their business.

20.7 Taxes

- (a) It is not required under the law applicable where an Obligor Party is incorporated or resident or at the address specified in the Finance Documents to make any deduction for or on account of Tax from any payment it may make under any Finance Document.
- (b) No claims are being, nor, as far as it is aware, might reasonably be expected to be, asserted against any Obligor Party with respect to Taxes which have or, if adversely determined to it, would be reasonably likely to have a Material Adverse Effect.
- (c) All Tax reports and returns required to be filed by or on behalf of any Obligor Party have been filed.
- (d) All Taxes required to be paid by or on behalf of it have been paid within the applicable time limit.

20.8 No filing or stamp taxes

It is not necessary under the laws of its Relevant Jurisdictions that the Finance Documents be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents or the transactions contemplated by the Finance Documents, except for:

- (a) the approval of movable assets mortgages under the Movable Assets Mortgage Agreement (Project SZ1), the Supplemental Movable Assets Mortgage Agreement (Project SZ1), the Movable Assets Mortgage Agreement (Project SZ2) and the Movable Assets Mortgage Agreement (Project SZ3) from Custom;
- (b) the registration of movable assets mortgages under the Movable Assets Mortgage Agreement (Project SZ1), the Supplemental Movable Assets Mortgage Agreement (Project SZ1), the Movable Assets Mortgage Agreement (Project SZ2) and the Movable Assets Mortgage Agreement (Project SZ3) with SAIC;
- (c) the registration of account receivables pledge under the Pledge of Receivables (Borrower), the Supplemental Pledge of Receivables (Borrower), the Pledge of Receivables (GDS Suzhou), the Supplemental Pledge of Receivables (GDS Suzhou), the Pledge of Receivables (Guarantor) and the Supplemental Pledge of Receivables (Guarantor) with PBOC Information Center;
- (d) the approval of equity pledge under the Equity Pledge Agreement and the Supplemental Equity Pledge Agreement by MOFCOM;

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- (e) the registration of equity pledge under the Equity Pledge Agreement and the Supplemental Equity Pledge Agreement with SAIC and Hong Kong Companies Registry;
- (f) the payment of Cayman Islands stamp duties in respect of the Share Mortgage Agreement, this Agreement, the Ultimate Parent Guarantee, the Amendment Agreement, the Confirmatory Share Mortgage Agreement, the Confirmatory Ultimate Parent Guarantee and the Confirmatory Letter if such agreement is executed in, brought into, or produced before a court of, the Cayman islands;
- (g) the payment of stamp duties in respect of this Agreement and the Amendment Agreement;
- (h) the payment of registration or filing fees (if any) payable to the relevant authorities with respect to the approval and registrations specified in paragraph (a) to (e) above.

20.9 No default

- (a) No Default is continuing or might reasonably be expected to result from the making of any Utilisation.
- (b) No other event or circumstance is outstanding which constitutes a default under any other agreement or instrument which is binding on any Obligor Party or to which its assets are subject which might have a Material Adverse Effect.

20.10 No misleading information

- (a) Any written and factual information provided by any Obligor Party to the Finance Parties and any transaction contemplated by them is true and accurate in all material respects as at the date it was provided or as at the date (if any) at which it is stated.
- (b) Any financial projections contained in the materials provided by any Obligor Party to the Finance Parties under this Agreement have been prepared on the basis of recent historical information and on the basis of reasonable assumptions.
- (c) Nothing has occurred since the date the written and factual information was provided which renders the written and factual information untrue or misleading in any material respect.
- (d) All material information in relation to each Project and each Facility have been provided to the Finance Parties.

20.11 Financial statements

- (a) The financial statements most recently supplied by each Obligor Party to the Facility Agent (which, at the date of this Agreement, are the Original Financial Statements) were prepared in accordance with GAAP consistently applied save to the extent expressly disclosed in such financial statements.
- (b) The financial statements most recently supplied by each Obligor Party to the Facility Agent (which, at the date of this Agreement, are the Original Financial Statements) give a true and fair view and represent its financial condition and operations (consolidated, in the case of the Ultimate Parent) during the relevant financial year save to the extent expressly disclosed in such financial statements.
- (c) There has been no material adverse change in the business or financial condition of the Obligor Parties (or the business or consolidated financial condition of the Group, in the case of the Ultimate Parent) since the date of the Original Financial Statements.

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20.12 Pari passu ranking

The payment obligations of each Obligor Party under the Finance Documents rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

20.13 No proceedings pending or threatened

No litigation, arbitration or administrative proceedings of or before any court, arbitral body or agency which, if adversely determined, might reasonably be expected to have a Material Adverse Effect have (to the best of its knowledge and belief) been started or threatened against any Obligor Party.

20.14 No breach of applicable laws

None of the Obligor Parties has breached any applicable law, rule, regulation or any agreements which breach, and no amount that is payable by any Obligor Party under any applicable law, rule, regulation or any agreements or any Authorisation has not been paid where such failure to pay, has or is reasonably likely to have a Material Adverse Effect or result in revocation or non-renewal of IDC License.

20.15 Authorised Signatures

Any person specified as its authorised signatory under Schedule 2 (*Conditions precedent and conditions subsequent*) of this Agreement or paragraph (h) of Clause 21.9 (*Information: miscellaneous*) of this Agreement is authorised to sign Utilisation Requests (in the case of the Borrower only) and other notices on its behalf.

20.16 Ranking of Security

The Transaction Security has or will have the ranking in priority which it is expressed to have in the Transaction Security Documents and it is not subject to any prior ranking or *pari passu* ranking Security.

20.17 Solvency

- (a) No Obligor Party is bankrupt or insolvent or unable to pay its debts (including subordinated and contingent debts), nor could it be deemed by a court to be unable to pay its debts within the meaning of the law of the jurisdiction in which it is incorporated, nor, in any such case, will it become so in consequence of entering into any Finance Document and/or performing any transaction contemplated by any Finance Document.
- (b) No Obligor Party has taken any corporate action nor have any legal proceedings or other procedures or steps been taken, started or threatened in relation to anything referred to in Clause 24.7 (*Insolvency proceedings*).

20.18 No other business

- (a) As at the date of this Agreement, the Borrower does not have any Subsidiaries.
- (b) The Borrower has not traded or carried on any business since the date of its incorporation other than the ownership, operation, maintenance and management of the Projects in connection with its data center infrastructure business or other businesses as recorded in its latest business license.

20.19 Ownership

- (a) Subject to the Transaction Security, the Borrower's entire equity interest is legally and beneficially owned and controlled by the Parent, and the registered capital corresponding to the equity interests in

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the Borrower are fully paid and such equity interests are not subject to any option to purchase or similar rights or any security interests (other than the Transaction Security).

- (b) Subject to the Transaction Security, the Parent's entire issued share capital is legally and beneficially owned and controlled by the Intermediate Parent, and the shares in the capital of the Parent are fully paid and are not subject to any option to purchase or similar rights or any security interests (other than the Transaction Security).
- (c) The Intermediate Parent's entire issued share capital is legally and beneficially owned and controlled by the Ultimate Parent, and such shares in the capital of the Intermediate Parent are fully paid and not subject to any option to purchase or similar rights or any security interests.
- (d) Prior to a Flotation, no less than 40 percentage, and following a Flotation, no less than 30 percentage, of the issued share capital of the Ultimate Parent is legally and beneficially owned and controlled by the Sponsor and the Sponsor remains the single and largest shareholder of the Ultimate Parent, and such shares in the capital of the Ultimate Parent are fully paid and not subject to any option to purchase or similar rights or any security interests.
- (e) Subject to the VIE Equity Pledges, prior to the VIE Restructuring, the Guarantor's entire equity interest is legally owned by William Huang but beneficially owned and controlled by GDS Suzhou, and following the VIE Restructuring, the Guarantor's entire equity interest is legally owned by William Huang and Qiuping Huang but beneficially owned and controlled by the New WFOE.
- (f) Around 4.8% of registered capital in the Guarantor are fully paid as at the date of this Agreement and the equity interests corresponding to all registered capital of the Guarantor are not subject to any option to purchase or similar rights or any security interests (other than the VIE Equity Pledges).
- (g) Prior to the VIE Acquisition, GDS Suzhou's entire equity interest is legally and beneficially owned and controlled by Further Success Limited, and following the VIE Acquisition, GDS Suzhou's entire equity interest is legally and beneficially owned and controlled by the Guarantor.
- (h) The registered capital corresponding to the equity interests in GDS Suzhou are fully paid and such equity interests are not subject to any option to purchase or similar rights or any security interests (other than the VIE Equity Pledges).
- (i) Upon incorporation of the New WFOE, the entire equity interests are (either directly or indirectly) legally and beneficially owned and controlled by the Ultimate Parent, and the registered capital corresponding to the equity interests in the New WFOE are fully paid and such equity interests are not subject to any option to purchase or similar rights or any security interests.

20.20 Shares

Provided that an Obligor Party's shares or equity interests are required to be subject to the Transaction Security, the constitutional documents of such Obligor Party do not and could not restrict or inhibit any transfer of those shares or equity interests on creation or enforcement of the Transaction Security. Except as provided in the Transaction Security Documents and subject to the VIE Equity Pledges, there are no agreements in force which provide for the issue or allotment of, or grant any person the right to call for the issue or allotment of, any share, equity interests or loan capital of any Obligor Party (other than the Ultimate Parent) and the New WFOE (including any option or right of pre-emption or conversion).

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20.21 Immunity

- (a) The entry into by each Obligor Party of each Finance Document constitutes, and the exercise by it of its rights and performance of its obligations under each Finance Document will constitute, private and commercial acts performed for private and commercial purposes.
- (b) None of any Obligor Party will be entitled to claim immunity from suit, execution, attachment or other legal process in any proceedings taken in its jurisdiction of incorporation in relation to any Finance Document.

20.22 Project Documents

As at the date of this Agreement:

- (a) each copy of a Project Document delivered to the Facility Agent under this Agreement is true and complete;
- (b) there is no other agreement in connection with, or arrangements which amend, supplement or affect any Project Document;
- (c) there are no claims pending or threatened against it under any Project Document;
- (d) it has not breached any of its material obligations under the Project Documents and there is no dispute in connection with any Project Document, in each case, which has or is reasonably likely to have a Material Adverse Effect.

20.23 Existing Accounts

No other bank accounts are maintained by the Borrower other than the Existing Accounts and the relevant Accounts with the Account Bank.

20.24 Good title to assets

Each Obligor Party has a good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as presently conducted.

20.25 Legal and beneficial ownership

Each Obligor Party is the sole legal and beneficial owner of the respective assets over which it purports to grant Security.

20.26 No Financial Indebtedness or Security

- (a) The Borrower, GDS Suzhou and the Guarantor do not have any Financial Indebtedness other than as permitted by Clause 23.13 (*Financial Indebtedness*).
- (b) No Security exists over all or any of assets of the Guarantor, GDS Suzhou or the Borrower other than as permitted by Clause 23.4 (*Negative pledge*).

20.27 Insurances

In respect of the Borrower and the Projects:

- (a) after the first Utilisation Date, the Insurances of the Project SZ1 are valid and in full force and effect and are not void or voidable;
- (b) in respect of each Insurance in relation to the Project SZ2 and the Project SZ3, upon its signing and payment of all premia, it is valid and in full force and effect and are not void or voidable;

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- (c) no notice has been given or received in respect of cancellation of all or any part of the Insurances; and
- (d) all premia and other moneys (if any) payable in respect of Insurances have been duly paid and, to the best of its knowledge and belief, all covenants, terms and conditions contained in the Insurances have been duly observed and performed.

20.28 Business Plan and Budget

- (a) Each of the Business Plan and the Budget (in each case whether draft or otherwise) as at its date:
 - (i) was true and accurate in all material respects;
 - (ii) was prepared in good faith and with due care on the basis of recent historical information and assumptions believed by it to be reasonable; and
 - (iii) fairly represented the Borrower's expectations in relation to the matters covered in those documents.
- (b) It is not aware of any information which, if disclosed, would make the Business Plan or the current Budget untrue or misleading in any material respect.
- (c) Each of the Business Plan and the current Budget specifies (at the date of delivery to the Facility Agent) all material costs and expenses incurred or to be incurred during the period to which it relates and is based on reasonable assumptions made in good faith and represents the Borrower's view as to costs and expenses anticipated by it to be incurred.

20.29 Completion of Conditions Subsequent

As of the date of the Amendment Agreement, conditions subsequent contemplated in paragraphs 1, 2, 10 and 12 under Part VII (*Conditions subsequent*) of Schedule 2 (*Conditions precedent and conditions subsequent*) have been completed.

20.30 Anti-bribery, anti-corruption and anti-money laundering

None of any Obligor Party, any of its Subsidiaries, their respective directors or officers, or, to the best knowledge of each Obligor Party, any Affiliate, agent or employee of either Obligor Party, has engaged in any activity or conduct which would violate any applicable anti-bribery, anti-corruption or anti-money laundering laws or regulations in any applicable jurisdiction and each Obligor Party has instituted and maintains policies and procedures designated to prevent violation of such laws, regulations and rules.

20.31 Sanctions

None of the Obligor Parties, any of its Subsidiaries, their respective directors or officers, or, to the best knowledge of each Obligor Party, any Affiliate, agent or employee of either Obligor Party, is an individual or entity, that is, or is owned or controlled by such individual or entity that are:

- (a) the subject, or likely to become the subject, of any Sanctions (a "**Sanctioned Person**"); or
- (b) located, organised or resident in a country or territory that is, or whose government is, the subject of Sanctions broadly prohibiting dealings with such government, country, or territory (a "**Sanctioned Country**").

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20.32 Repetition

The Repeating Representations are deemed to be made by each Obligor by reference to the facts and circumstances then existing on the date of each Utilisation Request and the first day of each Interest Period.

21. INFORMATION UNDERTAKINGS

The undertakings in this Clause 21 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

21.1 Financial statements

Each Obligor shall supply to the Facility Agent in sufficient copies for all the Lenders:

- (a) as soon as the same become available, but in any event within 150 days after the end of each of its Financial Years:
 - (i) in respect of the Ultimate Parent, its audited consolidated financial statements of the Group for that Financial Year, except for the audited consolidated financial statements of the Group delivered to the Facility Agent pursuant to paragraph 10 in Part VII (*Conditions subsequent*) of Schedule 2 (*Conditions precedent and conditions subsequent*); and
 - (ii) in respect of each Obligor other than the Ultimate Parent, its audited financial statements for that Financial Year; and
- (b) as soon as the same become available, but in any event within 90 days after the end of each half of each of its Financial Years:
 - (i) in respect of the Ultimate Parent, its consolidated financial statements of the Group for that half of Financial Year; and
 - (ii) in respect of each Obligor other than the Ultimate Parent, its financial statements for that half of Financial Year.
- (c) as soon as they are available, but in any event within 45 days after the end of each Financial Quarter of each of its Financial Years:
 - (i) in respect of the Ultimate Parent, its unaudited consolidated financial statements of the Group for that Financial Quarter; and
 - (ii) in respect of each Obligor other than the Ultimate Parent, its unaudited financial statements for that Financial Quarter.

21.2 Compliance Certificate

- (a) The Borrower shall supply to the Facility Agent, with each set of financial statements delivered pursuant to Clause 21.1 (*Financial statements*), a Compliance Certificate setting out (in reasonable detail) computations as to compliance with Clause 22 (*Financial covenants*) and Excess Cashflow as calculated based on the definition of "Excess Cashflow" pursuant to Clause 22.1 (*Financial definitions*) as at the date as at which those financial statements were drawn up.
- (b) Each Compliance Certificate delivered by the Borrower pursuant to paragraph (a) above shall be signed by the one of the Borrower's authorized signatories.

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21.3 Requirements as to financial statements

- (a) Each set of financial statements delivered by each Obligor pursuant to Clause 21.1 (*Financial statements*) shall be certified by a director of the relevant company as fairly representing its financial condition as at the date as at which those financial statements were drawn up.
- (b) Each Obligor shall ensure that each set of its financial statements delivered pursuant to Clause 21.1 (*Financial statements*) is prepared using GAAP, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements for that Obligor unless, in relation to any set of financial statements, it notifies the Facility Agent that there has been a change in GAAP, the accounting practices or reference periods and its auditors (or, if appropriate, the auditors of the Obligor) deliver to the Facility Agent:
- (i) a description of any change necessary for those financial statements to reflect the GAAP, accounting practices and reference periods upon which the Original Financial Statements of that Obligor were prepared; and
 - (ii) sufficient information, in form and substance as may be reasonably required by the Facility Agent, to enable the Lenders to determine whether Clause 22 (*Financial covenants*) has been complied with and make an accurate comparison between the financial position indicated in those financial statements and the Original Financial Statements of that Obligor.

Any reference in this Agreement to those financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

21.4 Presentations

Once in every Financial Year, at least one of senior management of the Borrower and one of senior management of the Ultimate Parent must give a presentation upon reasonable notice and at a reasonable time to the Finance Parties about the on-going business and financial performance of the Borrower and the Group respectively.

21.5 Submission of Budget

- (a) On or before the date of the first Utilisation Request, the Borrower shall supply to the Facility Agent for its approval in sufficient copies for all the Lenders an annual draft Budget (including the detailed budget for last quarter of that Financial Year) for the Financial Year ending 31 December 2015.
- (b) On or before the date of the first Facility C Utilisation Request, the Borrower shall supply to the Facility Agent for its approval in sufficient copies for all the Lenders an annual draft Budget for the Financial Year ending 31 December 2016 (including the detailed budget of the Project SZ3).
- (c) Commencing with the Financial Year starting 1 January 2016, the Borrower shall supply to the Facility Agent for its consent in sufficient copies for all the Lenders, as soon as the same become available but in any event within 30 days before the start of each of its Financial Years, an annual draft Budget for that Financial Year, and within 60 days after the start of each of its Financial Year, a final Budget for that Financial Year as approved by its board of directors.
- (d) When any amount needs to be funded pursuant to a Budget of a Financial Year, in case that a final Budget is not available for that Financial Year, such amount shall be determined according to figures applicable to the last month in the Budget of the immediately previous Financial Year.

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- (e) The Borrower shall ensure that each draft Budget:
 - (i) includes a profit and loss, cashflow statement for the Borrower and projected financial covenant calculations;
 - (ii) specifies (A) details of revenues with a breakdown including revenues received from the customers existing as of the date of the Budget and expected revenues to be received from the new coming customers after the date of the Budget with tenants being identified; and (B) the remaining term of all Service Contracts (including the Qualified Service Contracts) existing as of the date of the Budget and the remaining Contract Value during such remaining term;
 - (iii) is accompanied with necessary documents and information evidencing the status of Business Plan and its Capital Expenditures; and
 - (iv) is prepared in accordance with the GAAP.
- (f) The Facility Agent shall, within fifteen (15) Business Days of receipt of any draft Budget (but for an initial Budget delivered by the Borrower pursuant to paragraph (a) above, before the date of the first Utilisation Request, and for paragraph (b) above, before the date of the first Facility C Utilisation Request), notify the Borrower whether or not it is approved for the purposes of this Agreement.
- (g) After the Budget is approved by the Facility Agent, the Borrower shall not amend or modify the Budget at any time without the prior written consent of the Facility Agent.
- (h) The draft Budget for that Financial Year and each line item in such draft Budget will only become effective upon approval by the Facility Agent and become the final Budget for the Financial Year in which it is approved by the Facility Agent.

21.6 Quarterly Reports

- (a) Within 30 days after the last day of each Financial Quarter, the Borrower shall provide to the Facility Agent an operating statement in relation to the Projects, which shall specify the details of existing services status, new customers prospects, anticipated customers move-in schedule, actual move-in customers, contractual move-in customers, occupancy percentage, services annual renewal progress and turnover rate, etc.
- (b) Within 30 days after the last day of each Financial Quarter before the Project SZ2 reaches full occupation, the Borrower shall provide to the Facility Agent a regular update on the construction progress of the Project SZ2, together with necessary documents as may be reasonably required by the Facility Agent.
- (c) Within 30 days after the last day of each Financial Quarter before the Project SZ3 reaches full occupation, the Borrower shall provide to the Facility Agent a regular update on the construction progress of the Project SZ3, together with necessary documents as may be reasonably required by the Facility Agent.

21.7 IDC License renewal

Within 90 days before the expiry date of the IDC License or other authorisation of the Guarantor in respect of its business, the Borrower shall provide to the Facility Agent an update in respect of the status of its application for the renewal of the IDC License or any such authorisation, together with

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any information or documents as may be reasonably required by any Finance Party (through the Facility Agent).

21.8 Year-end

Each Obligor shall procure that each of its Financial Year-end falls on 31 December.

21.9 Information: miscellaneous

The Borrower shall supply to the Facility Agent (in sufficient copies for all the Finance Parties, if the Facility Agent so requests):

- (a) all documents (for avoidance of doubt, excluding those creditors of its accounts payable generated in the ordinary course of trading) dispatched by the Borrower to its shareholders (or any class of them) or its creditors generally at the same time as they are despatched;
- (b) promptly notify of any existing and future shareholder loans or inter-company loans to the Borrower or the Guarantor accompanied by shareholder loan agreements or inter-company loan agreements (if any), including but not limited to the GDS Suzhou Inter-company Loan Agreement, provided that such shareholder loans or inter-company loans are made in accordance with this Agreement;
- (c) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against any member of the Group, and which might, if adversely determined, have a Material Adverse Effect;
- (d) promptly, such information as the Security Agent may reasonably require about the assets subject to the Transaction Security and compliance of the Obligor Parties with the terms of any Transaction Security Documents;
- (e) promptly, such further information regarding the financial condition, business and operations of any Obligor Party as any Finance Party (through the Facility Agent) may reasonably request;
- (f) promptly upon occurrence of a Flotation, subject to any applicable laws and regulations, such information regarding the Flotation;
- (g) promptly, such further information relating to the construction progress of Project SZ2 and Project SZ3 as any Finance Party (through the Facility Agent) may reasonably request, to the extent not provided in Clause 21.6(b) (*Quarterly Reports*);

(h) promptly, notice of any change in authorised signatories of any Obligor Party in relation to the relevant Finance Documents accompanied by a new director resolution or shareholder resolution (as applicable).

21.10 Notification of default

- (a) Each Obligor shall (and shall procure each of other Obligor Parties will) notify the Facility Agent of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence (unless it is aware that a notification has already been provided by another Obligor Party).
- (b) Promptly upon a request by the Facility Agent, the Borrower shall supply to the Facility Agent a certificate signed by two of its directors or senior officers on its behalf certifying that no Default is

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continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

21.11 Use of websites

- (a) The Borrower may satisfy its obligation under this Agreement to deliver any information in relation to those Lenders (the “**Website Lenders**”) who accept this method of communication by posting the information onto an electronic website designated by the Borrower and the Facility Agent (the “**Designated Website**”) if:
 - (i) the Facility Agent expressly agrees (after consultation with each of the Lenders) that it will accept communication of the information by this method;
 - (ii) both the Borrower and the Facility Agent are aware of the address of and any relevant password specifications for the Designated Website; and
 - (iii) the information is in a format previously agreed between the Borrower and the Facility Agent.
- If any Lender (a “**Paper Form Lender**”) does not agree to the delivery of information electronically then the Facility Agent shall notify the Borrower accordingly and the Borrower shall supply, and shall procure other Obligor Parties supply, the information to the Facility Agent (in sufficient copies for each Paper Form Lender) in paper form. In any event the Borrower shall supply, and shall procure other Obligor Parties supply, the Facility Agent with at least one copy in paper form of any information required to be provided by it.
- (c) The Facility Agent shall supply each Website Lender with the address of and any relevant password specifications for the Designated Website following designation of that website by the Borrower and the Facility Agent.
 - (d) The Borrower shall promptly upon becoming aware of its occurrence notify the Facility Agent if:
 - (i) the Designated Website cannot be accessed due to technical failure;
 - (ii) the password specifications for the Designated Website change;
 - (iii) any new information which is required to be provided under this Agreement is posted onto the Designated Website;
 - (iv) any existing information which has been provided under this Agreement and posted onto the Designated Website is amended; or
 - (v) the Borrower becomes aware that the Designated Website or any information posted onto the Designated Website is or has been infected by any electronic virus or similar software.

If the Borrower notifies the Facility Agent under paragraph (c)(i) or paragraph (c)(v) above, all information to be provided by the Borrower under this Agreement after the date of that notice shall be supplied in paper form.

- (e) Any Website Lender may request, through the Facility Agent, one paper copy of any information required to be provided under this Agreement which is posted onto the Designated Website. The Borrower shall comply with any such request within ten Business Days.

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21.12 “Know your customer” checks

- (a) Each Obligor shall, and shall procure other Obligor Parties shall, promptly upon the request of the Facility Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself or on behalf of any Lender (including for any Lender on behalf of any prospective new Lender)) in order for the Facility Agent, such Lender or any prospective new Lender to conduct any “know your customer” or other similar procedures under applicable laws and regulations.
- (b) Each Lender shall promptly upon the request of the Facility Agent supply, or procure the supply of, such documentation and other evidence as is reasonably requested by the Facility Agent (for itself) in order for the Facility Agent to conduct any “know your customer” or other similar procedures under applicable laws and regulations.

22. FINANCIAL COVENANTS

22.1 Financial definitions

In this Agreement:

“**Borrowings**” means, at any time, the outstanding principal, capital or nominal amount and any fixed or minimum premium payable on prepayment or redemption of any indebtedness for or in respect of Financial Indebtedness (other than in respect of paragraph (h) of that definition for which the marked to market value shall be used).

“**Capital Expenditure**” means any expenditure or obligation in respect of expenditure which, in accordance with the GAAP, is treated as capital expenditure or intangible expense or intangible expenditure (and which shall include, for the avoidance of doubt, any royalties, licenses or similar costs, fees or expenses paid for the acquisition of patents, patent applications, trade names, trademarks, service marks, copyrights, mask works, software or other intellectual property).

“**Cash**” means, at any time, cash at bank credited to an account in the name of the Borrower with a reputable financial institution and to which the Borrower is alone beneficially entitled and for so long as (a) that cash is repayable on demand; (b) repayment of that cash is not contingent on the prior discharge of any other indebtedness of the Borrower or of any other person whatsoever or on the satisfaction of any other condition; (c) there is no Security over that cash; and (d) such cash is freely and immediately available to be applied in repayment or prepayment of the Facilities.

“**Current Assets**” means the aggregate of all inventory, work in progress, trade and other receivables of the Borrower including prepayments in relation to operating items and sundry debtors (but excluding Cash and Cash Equivalent Investments) expected to be realised within twelve months from the date of computation but excluding amounts in respect of:

- (i) receivables in relation to Tax;
- (ii) extraordinary items, exceptional items and other non-operating items;
- (iii) insurance claims; and
- (iv) any interest owing to the Borrower.

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“**Cash Equivalent Investments**” means investments that are short term investments (excluding equity investments) which are readily convertible into cash without incurring any significant premium or penalty.

“**Cashflow**” means, in respect of any Relevant Period, EBITDA for that Relevant Period after:

- (i) adding the amount of any decrease (and deducting the amount of any increase) in Working Capital for that Relevant Period;
- (ii) deducting all amounts of tax on profits, gains or income actually paid and/or which fell due for payment during such period;
- (iii) adding the amount of any cash receipts (and deducting the amount of any cash payments) during that Relevant Period in respect of any extraordinary items, exceptional items and other non-operating items not already taken account of in calculating EBITDA for any Relevant Period;

- (iv) adding the amount of any cash receipts during that Relevant Period in respect of any Tax rebates or credits and deducting the amount actually paid or due and payable in respect of Taxes during that Relevant Period by the Borrower;
- (v) adding the amount of any increase in provisions, other non-cash debits and other non-cash charges (which are not Current Assets or Current Liabilities) and deducting the amount of any non-cash credits (which are not Current Assets or Current Liabilities) in each case to the extent taken into account in establishing EBITDA;
- (vi) deducting the amount of any additional Capital Expenditure made in cash during that Relevant Period by the Borrower that was not accounted for in the Total Investment Amount,

but in any case amounts required to be applied in mandatory prepayment of the Loans shall be disregarded from the calculation of the Cashflow.

“**Current Liabilities**” means the aggregate of all liabilities (including trade creditors, accruals and provisions) of the Borrower expected to be settled within twelve months from the date of computation but excluding amounts in respect of:

- (i) liabilities for Borrowings and Net Finance Charges;
- (ii) liabilities for tax on profits;
- (iii) extraordinary items, exceptional items and other non-operating items;
- (iv) liabilities in relation to dividends declared but not paid by the Borrower to the extent owed to a person which is not a member of the Group.

“**Contributed Equity**” means total registered capital of the Borrower that has been paid in by the Parent.

“**Debt Service**” means, in respect of any Relevant Period, the aggregate of:

- (i) Net Finance Charges for that Relevant Period;

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- (ii) all scheduled repayments of Borrowings (as reduced by any voluntary or mandatory prepayments) falling due during that Relevant Period but excluding (A) any amounts falling due under any overdraft or revolving facility and which were available for simultaneous redrawing according to the terms of that facility and (B) scheduled principal repayments of Existing Deferred Payments that were refinanced by drawdown under the Facilities;
- (iii) the amount of the capital element of any payments in respect of that Relevant Period payable under any finance lease or capital lease entered into by the Borrower.

“**Debt Service Coverage Ratio**” or “**DSCR**” means the ratio of Cashflow to Debt Service in respect of any Relevant Period.

“**Debt to Equity Ratio**” or “**DER**” means, in respect of any Relevant Period, the ratio of Total Debt on the last day of that Relevant Period to Contributed Equity on the same day.

“**EBIT**” means, for any Relevant Period, the operating profits of the Borrower before taxation for that Relevant Period:

- (i) **before deducting** any Net Finance Charges;
- (ii) **before taking into account** any items treated as exceptional or extraordinary items,

in each case, to the extent deducted or taken into account, as the case may be, for the purposes of determining the profits of the Borrower from ordinary activities before taxation.

“**EBITDA**” means, for any Relevant Period, EBIT for that Relevant Period **before deducting** any amount attributable to amortisation of goodwill or depreciation of tangible assets.

“**Excess Cashflow**” means, for any period for which it is being calculated, the aggregate of opening cash balances of the Receiving Account 1, the Operations Account and Cashflow for that period less (except to the extent already deducted in calculating Cashflow):

- (i) Debt Service of that period;
- (ii) any Capital Expenditure actually made in cash during that Relevant Period by the Borrower;
- (iii) any amount funded or to be funded in the Debt Service Reserve Account; and
- (iv) RMB 18,000,000.

“**Financial Quarter**” means the period commencing on the day after one Quarter Date and ending on the next Quarter Date.

“**Financial Year**” means the annual accounting period of the Borrower ending on or about 31 December in each year.

“**Gross Leverage Ratio**” means, in respect of any Relevant Period, the ratio of Total Debt on the last day of that Relevant Period to EBITDA in respect of that Relevant Period.

“**Interest Coverage Ratio**” or “**ICR**” means the ratio of Cashflow to Net Finance Charges in respect of any Relevant Period.

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“**Leverage Ratio**” means, in respect of any Relevant Period, the ratio of Total Net Debt on the last day of that Relevant Period to EBITDA in respect of that Relevant Period.

“**Net Finance Charges**” means, for any Relevant Period, the aggregate amount of interest, default interests, commission, fees, discounts, prepayment penalties or premiums and other finance payments in respect of Borrowings whether accrued, paid or payable and whether or not capitalised by the Borrower in respect of that Relevant Period:

- (i) **including** the interest element of leasing and hire purchase payments;
- (ii) **including** any amounts paid, payable or accrued by the Borrower to counterparties under any interest rate hedging instrument;
- (iii) **deducting** any amounts paid, payable or accrued by counterparties to the Borrower under any interest rate hedging instrument; and
- (iv) **deducting** any interest paid, payable to or accrued to the benefit of the Borrower on any deposit or bank account.

“**Quarter Date**” means each of 31 March, 30 June, 30 September and 31 December.

“**Relevant Period**” means each period of twelve months ending on any Test Date, except that for the purpose of calculating the ICR under sub-paragraphs (i) and (ii) in Clause 22.2(d) (*Financial conditions*), each following period:

- (i) for the ICR to be tested on 31 December 2016 under sub-paragraphs (i) in Clause 22.2(d) (*Financial conditions*), a period of three Months ending on 31 December 2016;
- (ii) for the ICR to be tested on 31 March 2017 under sub-paragraphs (ii) in Clause 22.2(d) (*Financial conditions*), a period of six Months ending on 31 March 2017; and
- (iii) for the ICR to be tested on 30 June 2017 under sub-paragraphs (ii) in Clause 22.2(d) (*Financial conditions*), a period of nine Months ending on 30 June 2017.

“**Total Debt**” means at any time the aggregate amount of all obligations of the Borrower for or in respect of Borrowings and so that no amount shall be included or excluded more than once.

“**Total Net Debt**” means at any time the aggregate amount of all obligations of the Borrower for or in respect of Borrowings but **deducting** the aggregate amount of freely available Cash and Cash Equivalent Investments held by the Borrower at such time, and so that no amount shall be included or excluded more than once.

“**Test Date**” means each Quarter Date starting from (inclusive) the earliest test date as provided in Clause 22.2 (*Financial conditions*).

“**Working Capital**” means, on any date, Current Assets less Current Liabilities.

The Borrower shall ensure that:

- (a) *DSCR*. *DSCR* in respect of any Relevant Period ending on or after 31 March 2017, shall not be less than 1.10:1.

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- (b) *Gross Leverage Ratio*. *Gross Leverage Ratio* of any Relevant Period ending:

- (i) on or after 30 June 2017, shall not be more than 5.0:1;
(ii) on or after 31 December 2017, shall not be more than 3.5:1;
(iii) on or after 31 December 2018, shall not be more than 2.5:1.

- (c) *DER*. *DER* in respect of any Relevant Period ending on or after (the earlier of) the first Utilisation Date or 31 March 2016, shall not be more than 65:35.

- (d) *ICR*. *ICR* in respect of any Relevant Period ending:

- (i) on or after 31 December 2016, shall not be less than 1.75:1;
(ii) on or after 31 March 2017, shall not be less than 2.25:1;
(iii) on or after 30 September 2017, shall not be less than 3.0:1;
(iv) on or after 31 March 2018, shall not be less than 4.0:1.

- (e) *Capital Expenditure*: during the life of the Loans, its aggregate Capital Expenditure:

- (i) in respect of Project SZ1, shall not exceed 105% of RMB 287,300,000;
(ii) in respect of Project SZ2, shall not exceed 105% of RMB 354,300,000;
(iii) in respect of Project SZ3, shall not exceed 105% of RMB 167,700,000

22.3 Financial Testing

The financial covenants set out in Clause 22.2 (*Financial conditions*) shall be tested by reference to the financial statements and Compliance Certificates delivered pursuant to Clause 21.2 (*Compliance Certificate*) in respect of the Relevant Period, except that financial covenant set out in Clauses 22.2(e) (i) and (ii) shall be tested at the end of each Financial Year starting from the Financial Year ending on 31 December 2015.

23. GENERAL UNDERTAKINGS

The undertakings in this Clause 23 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents or any Commitment is in force.

23.1 Authorisations

- (a) Each Obligor shall (and shall ensure the other members of the Group will) promptly obtain, comply with and do all that is necessary to maintain in full force and effect; and supply certified copies to the Facility Agent of, any Authorisation required:

- (i) to enable it to perform its obligations under the Finance Documents;
(ii) to ensure the legality, validity, enforceability or admissibility in evidence in its jurisdiction of incorporation of any Finance Document;
(iii) to enable the Projects to be constructed, carried out and completed; and
(iv) to carry on its business and operations.

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- (b) The Guarantor shall ensure it will successfully pass all annual inspections in respect of the IDC License and the renewed IDC License organized by MIIT or other Governmental Agencies pursuant to the PRC laws and ensure it will successfully maintain in full force and effect and renew the IDC License with MIIT or other Governmental Agencies upon expiry of the IDC License.

23.2 Compliance with laws

Each Obligor shall (and shall ensure each member of the Group will) comply in all respects with all laws to which it may be subject, if failure so to comply would be likely to have a Material Adverse Effect.

23.3 Pari passu ranking

Each Obligor shall ensure that the payment obligations of each Obligor Party under the Finance Documents rank and continue to rank at least *pari passu* with the claims of all of its other unsecured and unsubordinated creditors, except for obligations mandatorily preferred by law applying to companies generally.

23.4 Negative pledge

In this Clause 23.4, "**Quasi-Security**" means an arrangement or transaction described in paragraph (c) below.

- (a) None of any Obligor (other than the Ultimate Parent) shall (and the Borrower shall ensure no member of the Borrower Group shall) create or permit to subsist any Security over any of its assets (tangible or intangible, including IDC License).
- (b) Each Obligor shall ensure that no Security exists or will be created or permitted to subsist over any equity interests in any of the New WFOE, Guarantor or GDS Suzhou.
- (c) None of any Obligor (other than the Ultimate Parent) shall (and the Borrower shall ensure no member of the Borrower Group shall):
- (i) sell, transfer or otherwise dispose of any of its assets (tangible or intangible, including the IDC License) on terms whereby they are or may be leased to or re-acquired by an Obligor or any other member of the Group;
- (ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;
- (iii) enter into or permit to subsist any title retention arrangement;
- (iv) enter into or permit to subsist any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or
- (v) enter into or permit to subsist any other preferential arrangement having a similar effect,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

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- (d) Paragraphs (a), (b) and (c) above do not apply to:

- (i) the VIE Equity Pledges;
(ii) any Security or Quasi-Security created pursuant to any Finance Document;

- (iii) any Security or Quasi-Security created over any receivables of the Guarantor or GDS Suzhou in relation to any data center business between the Guarantor or GDS Suzhou and any other member of the Group (other than those related to the Projects and the Borrower);
- (iv) any Security or Quasi-Security over any Customer Assets, **provided that** the Customer Assets shall not be used to secure any other Financial Indebtedness of any member of the Group or any other person;
- (v) any netting or set-off arrangement entered into by any member of the Borrower Group, GDS Suzhou or the Guarantor in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
- (vi) any lien arising by operation of law and in the ordinary course of trading **provided that** the debt which is secured thereby is paid when due or contested in good faith by appropriate proceedings and properly provisioned;
- (vii) any Security or Quasi-Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to any member of the Borrower Group, GDS Suzhou or the Guarantor in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any member of the Borrower Group, GDS Suzhou or the Guarantor; and
- (viii) any Security or Quasi-Security created or subsisting with the written consent of the Facility Agent (acting on the instructions of the Majority Lenders),

in each case the above exceptions shall not be construed to permit any Security over the IDC License or equity interests in the New WFOE, GDS Suzhou and the Guarantor (other than the VIE Equity Pledges).

23.5 Disposals

- (a) No Obligor shall (and the Borrower shall ensure no member of the Borrower Group will) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset.
- (b) Paragraph (a) above does not apply to any sale, lease, transfer or other disposal:
 - (i) made in the ordinary course of trading;
 - (ii) in respect of the members of the Borrower Group only,
 - (A) of assets in exchange for other assets comparable or superior as to type, value and quality and for a similar purpose;
 - (B) of assets made by the Borrower on arms-length terms and the proceeds of which will be used to prepay the Loans in accordance with Clause 8.3 (*Disposal proceeds*); or

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- (C) where the higher of the market value or consideration receivable (when aggregated with the higher of the market value or consideration receivable for any other sale, lease, transfer or other disposal by the members of the Borrower Group, other than any permitted under paragraphs (A) to (B) above) does not exceed 10,000,000 (or its equivalent in another currency or currencies) in any Financial Year.

23.6 Merger

Each Obligor shall (and the Borrower shall ensure other members of the Borrower Group will) not enter into any amalgamation, demerger, merger or corporate reconstruction except for the VIE Restructuring.

23.7 Change of business

Each Obligor shall procure that no substantial change is made to the general nature of the business of themselves as well as the Group from that carried on at the date of this Agreement.

23.8 New WFOE

Each Obligor shall ensure that the New WFOE is set up for the primary purpose of controlling the Guarantor and other PRC companies (if any) that hold an IDC License or other value-added telecommunications business operating licenses, and there is no substantial change of the New WFOE's business since it is incorporated.

23.9 Environmental compliance

Each Obligor shall (and shall ensure that all other members of the Group will) comply in all material respects with all Environmental Law, obtain and maintain any Environmental Permits and take all reasonable steps in anticipation of known or expected future changes to or obligations under Environmental Law or any Environmental Permits.

23.10 Environmental Claims

Each Obligor shall inform the Facility Agent in writing as soon as reasonably practicable upon becoming aware of:

- (a) any Environmental Claim which has been commenced or (to the best of its knowledge and belief) is threatened against any Obligor Party or any other member of the Group, or
- (b) any facts or circumstances which will or might reasonably be expected to result in any Environmental Claim being commenced or threatened against any Obligor Party or any other member of the Group,

in each case where such Environmental Claim might reasonably be expected, if determined against that Obligor Party or that member of the Group, to have a Material Adverse Effect.

23.11 Acquisitions

The Borrower shall (and shall ensure other members of the Borrower Group will) not acquire any company, business, assets or undertaking or make any investment.

23.12 Loans and guarantees

- (a) None of any Obligor (other than the Ultimate Parent) shall (and the Borrower shall ensure no member of the Borrower Group shall) make or allow to subsist any loans, grant any credit or give or allow to remain outstanding any guarantee or indemnity (except as required under any of the Finance Documents) to or for the benefit of any person (for the avoidance of doubt, including but not limited

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to any member of the Group) or otherwise voluntarily assume any liability, whether actual or contingent, in respect of any obligation of any person (for the avoidance of doubt, including but not limited to any member of the Group).

- (b) Paragraph (a) above does not apply to:

- (i) the Existing Inter-company Loan;
- (ii) the GDS Suzhou Inter-company Loan;
- (iii) the inter-company loan between GDS Suzhou and the Borrower in relation to GDS Suzhou Trapped Amount under the GDS Suzhou Trapped Amount Loan Agreement (if any);
- (iv) loans, guarantees, indemnities, bonds and letters of credit under or expressly permitted by the Finance Documents;
- (v) any existing loans or guarantees made under the VIE Contracts;
- (vi) any inter-company loans made by the Guarantor or GDS Suzhou to any member of the Group which operates any data centre in relation to any receivables (other than those related to the Projects) of the Guarantor or GDS Suzhou, as the case may be;
- (vii) any guarantees granted by the Guarantor in favour of its customers in respect of performance obligations of the Borrower under the Borrower Service Contracts; and
- (viii) any guarantees granted by the Guarantor in favour of other financial institutions in respect of any financing incurred by any member of the Group which established a data center operation business with the Guarantor similar to arrangements under the Back-to-Back Agreement, in each case under the similar financing structure contemplated under the Finance Documents.

23.13 Financial Indebtedness

- (a) None of any Obligor (other than the Ultimate Parent) shall (and the Borrower shall ensure no member of the Borrower Group shall) incur or permit to remain outstanding any Financial Indebtedness.
- (b) Paragraph (a) above does not apply to:
 - (i) the loans to GDS Suzhou, provided that at any time the aggregate amount of the outstanding principals of such loans does not exceed RMB 550,000,000;
 - (ii) the Existing Inter-company Loan;
 - (iii) any Existing Deferred Payment;
 - (iv) any Financial Indebtedness incurred pursuant to any Finance Documents; and
 - (v) any Restricted Inter-company Loan.

23.14 Group Structure

Each Obligor shall procure that no change is made to the Group Structure Chart that might reasonably be expected to have a Material Adverse Effect (other than the VIE Restructuring).

23.15 Dividends

- (a) No Obligor shall:

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- (i) declare, make or pay any dividend, charge, fee or other distribution (or interest on any unpaid dividend, charge, fee or other distribution) (whether in cash or in kind) on or in respect of its equity interests;
- (ii) repay or distribute any dividend or equity premium reserve;
- (iii) redeem, repurchase, defease, retire or repay any of its equity interests or resolve to do so.

- (b) Paragraph (a) above does not apply to dividend distributions to be made by GDS Suzhou to the Guarantor after the completion of the VIE Restructuring.

23.16 Insurances

The Borrower shall comply with the insurance requirements set out in Schedule 7 (*Insurance*).

23.17 Treasury transaction

- (a) Other than paragraph (b) and (c) below, the Borrower shall not enter (or agree to enter) into any treasury transaction unless otherwise agreed by the Facility Agent in writing.
- (b) After the date of this Agreement, the Borrower may enter into a hedging transaction in connection with this Agreement with any financial institutions and the Lenders shall have the right of first refusal to enter into such hedging transaction with the Borrower, provided that,
 - (i) such hedging transaction is an interest rate swap in relation to the interest rate under this Agreement, and/or a currency swap in relation to all or certain portion of the amount of the Loans outstanding then; and
 - (ii) such hedging transaction is only for the purpose of hedging interest risk or currency conversion risk of the Borrower under this Agreement, and in any case shall not be for speculation purpose.
- (c) Without prejudice to paragraph (b) above, if a financial institution is to share the Transaction Security, the Borrower must ensure:
 - (a) that financial institution must be a Lender, and accede to this Agreement by delivering to the Facility Agent an Accession Letter as a hedging provider (the "**Hedging Provider**");
 - (b) all Hedging Arrangements shall at all times be in form and substance satisfactory to the Facility Agent;
 - (c) the Hedging Arrangements are assigned to or otherwise secured in favour of, and in a manner acceptable to, the Security Agent; and
 - (d) any amount payable to the Hedging Providers ranks *pari passu* with all other amounts owed to any Finance Party under the Finance Documents and is secured by the Transaction Security Documents.

23.18 Arm's length terms

No Obligor shall (and shall procure no member of the Group will) enter into any transaction with any person except on arm's length terms.

23.19 Subordinated loans

Except for the Existing Inter-company Loan, the Borrower shall not:

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- (a) repay or prepay any principal amount (or capitalised interest) outstanding under any Restricted Inter-company Loan;
- (b) pay any interest, fee or charge accrued or due on any Restricted Inter-company Loan; or
- (c) purchase, redeem, defease or discharge any of any Restricted Inter-company Loan.

23.20 Project Documents

- (a) Each of the Borrower, GDS Suzhou and the Guarantor (as applicable) shall:
 - (i) exercise its rights and comply with its obligations under each Project Document to which it is a party;
 - (ii) ensure (so far as this is within its control) that each other party to a Project Document exercises its rights and complies with its obligations under that Project Document,in a proper and timely manner consistent with its obligations under the Finance Documents.
- (b) None of the Borrower, GDS Suzhou or the Guarantor shall agree to:
 - (i) materially amend or waive;
 - (ii) assign or transfer; or
 - (iii) terminate, suspend or abandon,all or any part of a Project Document without the Facility Agent's prior written consent.
- (c) Upon entry into any new Service Contracts after the date of this Agreement, the Borrower, GDS Suzhou and the Guarantor shall promptly provide the Facility Agent with such new Service Contracts together with evidence that such new Service Contracts have been covered under the Back-to-Back Agreements existing at the date of this Agreement (in case that a new Back-to-Back Agreement is not executed for the purpose of the new Service Contracts).
- (d) If, after the date of this Agreement, the Borrower, GDS Suzhou and the Guarantor enter into any new Back-to-Back Agreements or make any amendment to the Back-to-Back Agreements that have been provided to the Facility Agent, the Borrower, GDS Suzhou and the Guarantor shall ensure each new or amended Back-to-Back Agreement shall reflect all terms and conditions under the Service Contracts that they have entered into, in each case such new or amended Back-to-Back Agreements shall be in substance and form satisfactory to the Facility Agent, and upon execution of any new Back-to-Back Agreement or any amendment, promptly provide it to the Facility Agent.
- (e) If the Landlord decides to unilaterally terminate the Lease Agreements, the Borrower shall, upon becoming aware of such termination, immediately notify the Facility Agent.

23.21 Project SZ2 and Project SZ3 Completion

- (a) The Borrower shall procure that Project SZ2 Completion occurs by no later than the Project SZ2 Completion Date.
- (b) The Borrower shall procure that the trial operation of the Project SZ2 (if any, as required by the relevant customers) will not be later than 120 days after the Project SZ2 Completion Date.

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- (c) The Borrower shall procure that Project SZ3 Completion occurs by no later than the Project SZ3 Completion Date.
- (d) The Borrower shall procure that the trial operation of the Project SZ3 (if any, as required by the relevant customers) will not be later than 120 days after the Project SZ3 Completion Date.

23.22 Acknowledgements

Each Obligor (other than the Ultimate Parent) shall use its best endeavours to provide to the Facility Agent acknowledgements from their customers on the Notification Letters which have been delivered pursuant to paragraph 2(c)(i) in Part I (*Conditions Precedent to Initial Utilisation for All Facilities*) and paragraph 2(c)(i) in Part V (*Facility C Initial conditions precedent*) of Schedule 2 (*Conditions precedent and conditions subsequent*) and (where applicable) paragraph 1 in Part VII (*Conditions Subsequent*) of Schedule 2 (*Conditions precedent and conditions subsequent*) of this Agreement.

23.23 Operation and maintenance

- (a) In this Clause “**Good Industry Practice**” means the exercise of the degree of skill, care and operating practice which would reasonably and ordinarily be expected from a skilled and experienced person engaged in the same type of undertaking as a member of the Group under the same or similar circumstances.
- (b) Each Obligor shall (and shall procure other members of the Group will) diligently operate and maintain, or ensure the diligent operation and maintenance of, each Project and all of its other assets in a safe, efficient and business-like manner and in accordance with the Good Industry Practice.

23.24 Application of FATCA

Each Obligor shall procure that it shall not (and ensure no Obligor Party will) become a FATCA FFI or a US Tax Obligor.

23.25 Sanctions

No Obligor shall (and shall procure no members of the Group will) contribute or otherwise make available all or any part of the proceeds of the Facilities, directly or indirectly, to, or for the benefit of, any person (whether or not related to any member of the Group) for the purpose of financing the activities of, transactions with, or investments in, any Sanctions Person, to the extent such action or status is prohibited by, or would itself cause any Finance Party or a member of the Group to be in breach of, any Sanctions in a manner or to an extent which is, or is reasonably likely to have a Material Adverse Effect.

23.26 Anti-bribery law, anti-corruption law and anti-money laundering law

Each Obligor shall (and shall ensure that all other members of the Group will) comply in all respects with all anti-bribery laws, anti-money laundering laws and anti-corruption laws where failure to so comply would have or would be reasonably likely to have a Material Adverse Effect.

23.27 CBRC Rule

Each Obligor shall, and shall ensure that all other members of the Group shall, comply in all material respects with the CBRC Rule, any amendments and/or supplements to the CBRC Rule to the extent applicable, and all further and/or supplemental laws and/or regulations (relating to any of the subject matters of the CBRC Rule) to which it is subject from time to time, and shall do or permit to be done any acts or provide any assistance which the Facility Agent may require pursuant to CBRC Rule for the purpose of complying with the CBRC Rule by any of Finance Parties.

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23.28 Further assurance

- (a) Each Obligor shall (and shall procure that other Obligor Parties will) promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, pledge, notices and instructions) as the Security Agent may reasonably specify (and in such form as the Security Agent may reasonably require in favour of the Security Agent or its nominee(s)):
 - (i) to perfect the Security created or intended to be created under or evidenced by the Transaction Security Documents (which may include the execution of a mortgage, assignment, pledge or other Security over all or any of the assets which are, or are intended to be, the subject of the Transaction Security) or for the exercise of any rights, powers and remedies of the Security Agent or the Secured Parties provided by or pursuant to the Transaction Documents or by law;
 - (ii) to confer on the Security Agent or confer on the Secured Parties Security over any property and assets of that Obligor Party located in any jurisdiction equivalent or similar to the Security intended to be conferred by or pursuant to the Transaction Security Documents; and/or
 - (iii) to facilitate the realisation of the assets which are, or are intended to be, the subject of the Transaction Security.
- (b) Each Obligor shall (and shall procure that other Obligor Parties will) take all such action as is available to it (including making all filings and registrations) as may be necessary for the purpose of the creation, perfection, protection or maintenance of any Security conferred or intended to be conferred on the Security Agent or the Secured Parties by or pursuant to the Transaction Documents.

23.29 Offshore Transaction Security

Subject to applicable PRC laws and regulations, the Borrower:

- (a) shall register the foreign debt and conduct relevant information filling with the local SAFE within fifteen (15) Business Days after enforcement of any Offshore Transaction Security and, at the request of the Facility Agent, provide the Facility Agent with the said foreign debt registration or filling documents as soon as practicable;
- (b) shall procure the amount of the principal of the indebtedness owed to any guarantor or security provider as a result of enforcement of any Offshore Transaction Security by the Secured Parties shall not exceed its audited net assets at the end of the year prior to such enforcement and its approved available foreign debt quota (the “**Available Foreign Debt Quota**”);
- (c) shall immediately inform the Facility Agent of any insufficiency of Available Foreign Debt Quota;
- (d) undertakes that it does not have any outstanding indebtedness owed to any guarantor or security provider as a result of enforcement of any offshore security or guarantee securing onshore loans borrowed by it (“**Wai Bao Nei Dai**” (□□□□)) (other than the Offshore Transaction Security) which has not been paid up;
- (e) shall forthwith notify the Facility Agent if there is any outstanding indebtedness by it owed to the relevant guarantor or security provider incurred as a result of enforcement of any Wai Bao Nei Dai (other than the Offshore Transaction Security) which has not been paid up whereupon the Secured Parties will have right to suspend new drawdown;

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- (f) at the request of the Facility Agent, forthwith provide the Facility Agent with necessary information and material of the details of any offshore security or guarantee, default of any offshore underlying transaction, foreign debt registration, repayment of offshore debt and other matters in relation to which it conducts registration for other offshore guarantors or security providers under Wai Bao Nei Dai. Such information and material shall be true, accurate and integrated;
- (g) shall not sign any offshore guarantee or security which constitutes Wai Bao Nei Dai (□□□□) where the Borrower knows or should know the certainty of enforcement of such offshore guarantee or security; and
- (h) undertakes that it complies with each requirement of SAFE and other regulators in relation to the offshore security/guarantee which constitutes Wai Bao Nei Dai (□□□□) and will follow the instruction of the Facility Agent to take or not take any action or render any cooperation and assistance.

24. EVENTS OF DEFAULT

Each of the events or circumstances set out in the following sub-clauses of this Clause 24 (other than Clause 24.21 (*Acceleration*)) is an Event of Default.

24.1 Non-payment

An Obligor Party does not pay on the due date any amount payable pursuant to a Material Credit Document at the place at and in the currency in which it is expressed to be payable, unless the non-payment is caused by:

- (a) an administrative or technical error and is remedied within 3 Business Days of its due date; or
- (b) a Disruption Event and is remedied within 3 Business Days of its due date.

24.2 Financial covenants

Any requirement of Clause 22 (*Financial covenants*) is not satisfied.

24.3 Other obligations

- (a) An Obligor Party does not comply with Clause 3 (*Purpose*), Clause 5.5 (*Advance of Loans*) or Clause 23 (*General undertakings*) of this Agreement; or
- (b) any Obligor Party does not comply with any other provision of the Material Credit Documents (other than those referred to in Clause 24.1 (*Non-payment*), Clause 24.2 (*Financial covenants*), Clause 24.19 (*Conditions subsequent*) and paragraph (a) above) to which it is a party unless the non-compliance is capable of remedy and is remedied within 7 days of the earlier of (i) the Facility Agent giving notice to the Borrower of the failure to comply and (ii) any Obligor Party becoming aware of the failure to comply.

24.4 Misrepresentation

Any representation or statement made or deemed to be made by an Obligor Party in the Material Credit Documents or any other document delivered by or on behalf of any Obligor Party under or in connection with any Material Credit Document is or proves to have been incorrect or misleading in any material respect when made or deemed to be made unless the circumstances giving rise to the

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misrepresentation is capable of remedy and is remedied within 7 days of the earlier of (i) the Facility Agent giving notice to the Borrower of such misrepresentation and (ii) any Obligor Party becoming aware of such misrepresentation.

24.5 Cross default

- (a) Other than as provided in paragraph (b) below:
 - (i) any Financial Indebtedness of any Obligor Party or any other member of the Group is not paid when due nor within any originally applicable grace period.
 - (ii) any Financial Indebtedness of any Obligor Party or any other member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
 - (iii) any commitment for any Financial Indebtedness of any Obligor Party or any other member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (however described).
 - (iv) any creditor of any Obligor Party or any other member of the Group becomes entitled to declare any Financial Indebtedness of any member of the Group due and payable prior to its specified maturity as a result of an event of default (however described).
- (b) no Event of Default will occur under this paragraph (a) of Clause 24.5 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (i) to (iv) above is less than RMB 30,000,000 (or its equivalent in any other currency or currencies).
- (c) Any default or event of default (however described) under the Hedging Arrangements.

24.6 Insolvency

- (a) An Obligor Party or any other member of the Group is or is presumed or deemed to be unable or admits inability to pay its debts as they fall due, suspends making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.
- (b) A moratorium is declared in respect of any indebtedness of any Obligor Party or any other member of the Group.

24.7 Insolvency proceedings

- (a) Any corporate action, legal proceedings or other procedure or step is taken in relation to:
 - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration, provisional supervision or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of any Obligor Party or any other member of the Group other than a solvent liquidation or reorganisation of any member of the Group which is not an Obligor Party;
 - (ii) a composition or arrangement with any creditor of any Obligor Party or any other member of the Group, or an assignment for the benefit of creditors generally of any Obligor Party or any other member of the Group or a class of such creditors;

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- (iii) the appointment of a liquidator (other than in respect of a solvent liquidation of a member of the Group which is not an Obligor Party), receiver, administrator, administrative receiver, compulsory manager, provisional supervisor or other similar officer in respect of any Obligor Party or any other member of the Group or any of its assets; or

- (iv) enforcement of any Security over any assets of any Obligor Party or any other member of the Group,

or any analogous procedure or step is taken in any jurisdiction.

- (b) The above paragraph (a) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 30 days of commencement.

24.8 Creditors' process

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of any Obligor Party having an aggregate value of RMB 30,000,000 and is not discharged within 14 days.

24.9 Litigation

Any litigation, arbitration or administrative proceedings are current or, to the Obligors' knowledge pending or threatened against any of Obligor Parties, if adversely determined, are reasonably likely to have a Material Adverse Effect.

24.10 Unlawfulness

- (a) It is or becomes unlawful for an Obligor Party to perform any of its obligations under the Material Credit Documents or any Transaction Security created or expressed to be created or evidenced by the Transaction Security Documents ceases to be effective.
- (b) Any obligation or obligations of any Obligor Party under any Material Credit Documents are not or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Finance Parties under the Material Credit Documents.
- (c) Any Material Credit Document ceases to be in full force and effect or any Transaction Security ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than a Secured Party) to be ineffective.

24.11 Repudiation and rescission of agreements

An Obligor Party (or any other relevant party, other than a Finance Party) rescinds or purports to rescind or repudiates or purports to repudiate a Material Credit Document or any of the Transaction Security or evidences an intention to rescind or repudiate a Material Credit Document or any Transaction Security.

24.12 Nationalisation and expropriation

If, pursuant to any law or governmental action:

- (a) the legal existence of any Obligor Party is terminated;
- (b) any substantial part of any of the business or operations of any Obligor Party is suspended or revoked; or

- (c) any part of the Projects or assets of any Obligor Party is seized, nationalised, attached, expropriated, divested, compulsorily acquired or suspended, which in each case has or will have a Material Adverse Effect.

24.13 Cessation of business

Any Obligor suspends or ceases to carry on all or a material part of its business or of the business of the Group taken as a whole.

24.14 Major damage

Any part of the Projects or assets of the Borrower are destroyed or damaged and, in the opinion of the Majority Lenders taking into account the proceeds of insurance effected under Clause 23.16 (*Insurances*) and the timing of receipt of those proceeds, the destruction or damage will have a Material Adverse Effect.

24.15 Abandonment

The Borrower, the Guarantor or GDS Suzhou abandons all or a significant part of the Projects.

24.16 Government intervention

Any Authorisation relating to the Projects or the Borrower or any other Obligor is modified, revoked, withdrawn or cancelled and such modification, revocation, withdrawal or cancellation has or is reasonably likely to have a Material Adverse Effect.

24.17 Creation of security

- (a) Any Security is created or subsists over the shares in the Ultimate Parent,
- (b) Except for the VIE Equity Pledges, any Security is created or subsists over the equity interests in the Guarantor, the New WFOE or GDS Suzhou, in each case in a manner not consistent with provisions of this Agreement.

24.18 Foreign exchange control

Any foreign exchange control policies in the Relevant Jurisdiction (whether existing as of the date of this Agreement or enacted after the date of this Agreement) would otherwise prohibit, prevent or materially delay any payment, remittance or transfer of any amount due and payable under the Material Credit Documents and the relevant Obligor and the relevant Finance Party fail to agree on a substitute permitted by applicable Governmental Rules for making such payment, remittance or transfer within 7 days upon the occurrence of such prohibition, prevention or delay.

24.19 Conditions subsequent

Any Obligor Party does not deliver all of its documents and evidence set out in Part VII (*Conditions subsequent*) of Schedule 2 (*Conditions precedent and conditions subsequent*) on or prior to the relevant date specified for delivery thereof in accordance with Clause 4.4 (*Conditions subsequent documents*).

24.20 Material adverse change

Any event or circumstance occurs which has or is reasonably likely to have a Material Adverse Effect.

24.21 Acceleration

On and at any time after the occurrence of an Event of Default the Facility Agent may, and shall if so directed by the Majority Lenders, by written notice to the Borrower:

- (a) without prejudice to the participations of any Lenders in any Loans then outstanding:
 - (i) cancel the Commitments (and reduce them to zero), whereupon they shall immediately be cancelled (and reduced to zero); or
 - (ii) cancel any part of any Commitment (and reduce such Commitment accordingly), whereupon the relevant part shall immediately be cancelled (and the relevant Commitment shall be immediately reduced accordingly);
- (b) declare that all or part of the Loans, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents be immediately due and payable, whereupon they shall become immediately due and payable;
- (c) declare that all or part of the Loans be payable on demand, whereupon they shall immediately become payable on demand by the Facility Agent on the instructions of the Majority Lenders; and/or
- (d) exercise or direct the Security Agent to exercise any or all of its rights, remedies, powers or discretions under the Finance Documents.

25. SECURITY

25.1 Security Agent as holder of security

- (a) In this Clause:
 - (v) “**Secured Party Claim**” means any amount which any Obligor Party owes to a Secured Party under or in connection with the Transaction Documents; and
 - (vi) “**Security Agent Claim**” means any amount which any Obligor Party owes to the Security Agent under this Clause.
- (b) Unless expressly provided to the contrary in any Transaction Document, the Security Agent holds:
 - (i) any security created by a Transaction Security Document;
 - (ii) the benefit of any Security Agent Claims; and
 - (iii) any proceeds of security,for the benefit, and as the property, of the Secured Parties and so that they are not available to the personal creditors of the Security Agent.
- (c) The Security Agent will separately identify in its records the property rights referred to in paragraph (b) above.

25.2 Responsibility

- (a) The Security Agent is not liable or responsible to any other Secured Party for:

- (i) any failure in perfecting or protecting the security created by any Transaction Security Document; or
- (ii) any other action taken or not taken by it in connection with any Transaction Security Document,

unless directly caused by its gross negligence or wilful misconduct.

- (b) The Security Agent is not responsible for:
- (i) the right or title of any person in or to, or the value of, or sufficiency of any part of the security created by the Transaction Security Documents;
 - (ii) the priority of any security created by the Transaction Security Documents; or
 - (iii) the existence of any other security interest affecting any asset secured under a Transaction Security Document.

25.3 Title

The Security Agent may accept, without enquiry, the title (if any) an Obligor Party may have to any asset over which security is intended to be created by any Transaction Security Document.

25.4 Possession of documents

The Security Agent is not obliged to hold in its own possession any Transaction Security Document, title deed or other document in connection with any asset over which security is intended to be created by a Transaction Security Document. Without prejudice to the above, the Security Agent may allow any bank providing safe custody services or any professional adviser to the Security Agent to retain any of those documents in its possession.

25.5 Approval

Each Secured Party:

- (a) confirms its approval of each Transaction Security Document; and
- (b) authorises and directs the Security Agent (by itself or by such person(s) as it may nominate) to enter into and enforce the Transaction Security Documents as trustee (or agent) or as otherwise provided (and whether or not expressly in the names of the Secured Finance Parties) on its behalf.

25.6 Conflict with Transaction Security Documents

If there is any conflict between this Agreement and any Transaction Security Document with regard to instructions to, or other matters affecting, the Security Agent, this Agreement will prevail.

25.7 Release of security

- (a) If a disposal of any asset subject to security created by a Transaction Security Document is made in the following circumstances:
 - (i) the Majority Lenders agree to the disposal;
 - (ii) the disposal is allowed by the terms of the Transaction Documents and will not result or could not reasonably be expected to result in any Default;

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- (iii) the disposal is being made at the request of the Security Agent in circumstances where any security created by the Transaction Security Documents has become enforceable; or
- (iv) the disposal is being effected by enforcement of a Transaction Security Document,

the asset(s) being disposed of will be released from any security over it created by a Transaction Security Document. However, the proceeds of any disposal (or an amount corresponding to them) shall be applied in accordance with the requirements of the Transaction Documents (if any).

- (b) Any release under this Clause will not become effective until the date of the relevant disposal or otherwise in accordance with the consent of the Majority Lenders.
- (c) If a disposal is not made, then any release relating to that disposal will have no effect, and the obligations of the Obligor Parties under the Transaction Documents will continue in full force and effect.
- (d) If the Security Agent is satisfied that a release is allowed under this Clause, (at the request and expense of the relevant Obligor Party) each Secured Party shall enter into any document and do all such other things which are reasonably required to achieve that release. Each other Secured Party irrevocably authorises the Security Agent to enter into any such document. Any release will not affect the obligations of any other Obligor Party under the Transaction Documents.

25.8 Enforcement instructions

- (a) The Security Agent may refrain from enforcing the security created by a Transaction Security Document unless instructed otherwise by the Majority Lenders.
- (b) If the Security created by a Transaction Security Document becomes enforceable, the Majority Lenders may give or refrain from giving instructions to the Security Agent to enforce or refrain from enforcing that security as they see fit.
- (c) The Security Agent shall, subject to the terms of the Transaction Security Documents, enforce the Security created by a Transaction Security Document in accordance with the instructions of the Majority Lenders.
- (d) In the absence of instructions, the Security Agent may enforce the security created by a Transaction Security Document as it sees fit having regard first to the interests of the Secured Parties.
- (e) None of the Security Agent or the Secured Parties is responsible to any Obligor Party for any enforcement or failure to enforce or to maximise the proceeds of any enforcement of the security created by the Transaction Security Documents. The Security Agent or any Secured Party may cease enforcement at any time.
- (f) The Security Agent is fully protected if it acts on the instructions of the Majority Lenders in the exercise of any right, power or discretion or any matter not expressly provided for in the Transaction Security Documents.

25.9 Competing instructions to Security Agent

Any instructions given to the Security Agent by the Majority Lenders will override any conflicting instructions given by any other Party.

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25.10 Information

Each Secured Party and each of the Obligors shall (and the Borrower shall ensure other Obligor Parties will) supply the Security Agent with any information that the Security Agent may reasonably specify as being necessary or desirable to enable it to perform its functions under this Clause.

25.11 Perfection of security

Each of the Obligors shall (and shall ensure other Obligor Parties will), at their own costs, take any action and enter into and deliver any document which is reasonably required by the Security Agent so that a Transaction Security Document provides for effective and perfected security in favour of any successor Security Agent.

25.12 Proceeds of enforcement

- (a) Subject to the rights of any creditor with prior security or a preferential claim, the proceeds of enforcement of the security under the Transaction Security Documents shall be paid to the Security Agent.
- (b) Any proceeds of enforcement of the security under the Transaction Security Documents, and any amount paid to the Security Agent under this Agreement shall be applied in the following in the order of priority set out in Clause 32.5 (*Partial Payments*).

25.13 Good Discharge

An acknowledgement of receipt signed by the relevant person to whom payments are to be made under this Clause will discharge the Security Agent.

25.14 Non-cash distributions

SECTION 9 CHANGES TO PARTIES

26. CHANGES TO THE LENDERS

26.1 Assignments and transfers by the Lenders

Subject to this Clause 26 and to the extent permitted under the applicable laws, a Lender (the "Existing Lender") may:

- (a) assign any of its rights; or
- (b) transfer by novation any of its rights and obligations,

under the Finance Documents to another bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets (the "New Lender").

26.2 Conditions of assignment or transfer

- (a) The consent of the Borrower is not required for any assignment or transfer by a Lender pursuant to this Clause 26.
- (b) Notwithstanding paragraph (a) above, a Lender shall notify the Borrower of such assignment or transfer not later than 5 days before the assignment or transfer if there is no Event of Default which is continuing.
- (c) A transfer will be effective only if the procedure set out in Clause 26.5 (*Procedure for transfer*) is complied with.
- (d) An assignment will be effective only if the procedure and conditions set out in Clause 25.6 (*Procedure for assignment*) are complied with.

26.3 Assignment or transfer fee

The New Lender shall, on the date upon which an assignment or transfer takes effect, pay to the Facility Agent (for its own account) a fee of RMB 20,000.

26.4 Limitation of responsibility of Existing Lenders

- (a) Unless expressly agreed to the contrary, an Existing Lender makes no representation or warranty and assumes no responsibility to a New Lender for:
 - (i) the legality, validity, effectiveness, adequacy or enforceability of the Finance Documents or any other documents;
 - (ii) the financial condition of any Obligor;
 - (iii) the performance and observance by any Obligor Party of its obligations under the Finance Documents or any other documents; or
 - (iv) the accuracy of any statements (whether written or oral) made in or in connection with any Finance Document or any other document,and any representations or warranties implied by law are excluded.

- (a) Each New Lender confirms to the Existing Lender, the other Finance Parties that it:
 - (i) has made (and shall continue to make) its own independent investigation and assessment of the financial condition and affairs of each Obligor and its related entities in connection with its participation in this Agreement and has not relied exclusively on any information provided to it by the Existing Lender in connection with any Finance Document; and
 - (ii) will continue to make its own independent appraisal of the creditworthiness of each Obligor and its related entities whilst any amount is or may be outstanding under the Finance Documents or any Commitment is in force.
- (b) Nothing in any Finance Document obliges an Existing Lender to:
 - (i) accept a re-transfer or re-assignment from a New Lender of any of the rights and obligations assigned or transferred under this Clause 26; or
 - (ii) support any losses directly or indirectly incurred by the New Lender by reason of the non-performance by any Obligor Party of its obligations under the Finance Documents or otherwise.

26.5 Procedure for transfer

- (a) Subject to the conditions set out in Clause 26.2 (*Conditions of assignment or transfer*) a transfer is effected in accordance with paragraph (c) below when the Facility Agent executes an otherwise duly completed Transfer Certificate delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph (b) below, as soon as reasonably practicable after receipt by it of a duly completed Transfer Certificate appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Transfer Certificate.
- (b) The Facility Agent shall not be obliged to execute a Transfer Certificate delivered to it by the Existing Lender and the New Lender unless it is satisfied that it has completed all "know your customer" and other similar procedures that it is required (or deems desirable) to conduct in relation to the transfer to such New Lender.
- (c) On the Transfer Date:
 - (i) to the extent that in the Transfer Certificate the Existing Lender seeks to transfer by novation its rights and obligations under the Finance Documents and in respect of the Transaction Security each of the Obligor Parties and the Existing Lender shall be released from further obligations towards one another under the Finance Documents and in respect of the Transaction Security and their respective rights against one another shall be cancelled (being the "Discharged Rights and Obligations");
 - (ii) each of the Obligor Parties and the New Lender shall assume obligations towards one another and/or acquire rights against one another which differ from the Discharged Rights and Obligations only insofar as that Obligor Party and the New Lender have assumed and/or acquired the same in place of that Obligor Party and the Existing Lender;
 - (iii) the Facility Agent, the Mandated Lead Arrangers, the Security Agent, the New Lender and other Lenders shall acquire the same rights and assume the same obligations between themselves and in respect of the Transaction Security as they would have acquired and

assumed had the New Lender been an Original Lender with the rights and/or obligations acquired or assumed by it as a result of the transfer and to that extent the Facility Agent, the Mandated Lead Arrangers, the Security Agent and the Existing Lender shall each be released from further obligations to each other under the Finance Documents; and

- (iv) the New Lender shall become a Party as a "Lender".
- (d) The procedure set out in this Clause 26.5 shall not apply to any right or obligation under any Finance Document (other than this Agreement) if and to the extent its terms, or any laws or regulations applicable thereto, provide for or require a different means of transfer of such right or obligation or prohibit or restrict any transfer of such right or obligation, unless such prohibition or restriction shall not be applicable to the relevant transfer or each condition of any applicable restriction shall have been satisfied.

26.6 Procedure for assignment

- (a) Subject to the conditions set out in paragraph (d) below and in Clause 26.2 (*Conditions of assignment or transfer*), an assignment may be effected in accordance with paragraph (b) below when the Facility Agent executes an otherwise duly completed Assignment Agreement delivered to it by the Existing Lender and the New Lender. The Facility Agent shall, subject to paragraph (d)(ii) below, as soon as reasonably practicable

after receipt by it of a duly completed Assignment Agreement appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement, execute that Assignment Agreement.

- (b) On the Transfer Date:
- (i) the Existing Lender will assign absolutely to the New Lender the rights under the Finance Documents and in respect of the Transaction Security expressed to be the subject of the assignment in the Assignment Agreement;
 - (ii) the Existing Lender will be released by each Obligor Party and the other Finance Parties from the obligations owed by it (the “**Relevant Obligations**”) and expressed to be the subject of the release in the Assignment Agreement (and any corresponding obligations by which it is bound in respect of the Transaction Security); and
 - (iii) the New Lender shall become a Party as a “Lender” and will be bound by obligations equivalent to the Relevant Obligations.
- (c) Lenders may utilise procedures other than those set out in this Clause 26.6 to assign their rights under the Finance Documents (but not, without the consent of the relevant Obligor Party or unless in accordance with Clause 26.5 (*Procedure for transfer*), to obtain a release by that Obligor Party from the obligations owed to that Obligor Party by the Lenders nor the assumption of equivalent obligations by a New Lender) **provided that** they comply with the conditions set out in paragraph (d) below.
- (d) An assignment (whether pursuant to an Assignment Agreement or paragraph (c) above) will only be effective on:
- (i) receipt by the Facility Agent (whether in an Assignment Agreement or otherwise) of written confirmation from the New Lender (in form and substance satisfactory to the Facility Agent) that the New Lender will assume the same obligations to the other Finance Parties as it would have been under if it was an Original Lender; and

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- (ii) performance by the Facility Agent of all necessary “know your customer” or other similar checks under all applicable laws and regulations in relation to such assignment to a New Lender, the completion of which the Facility Agent shall promptly notify to the Existing Lender and the New Lender. The Facility Agent shall not be obliged to execute an Assignment Agreement delivered to it by an Existing Lender and the New Lender or any document delivered to it pursuant to paragraph (c) above unless it is satisfied that it has completed all “know your customer” and other similar procedures that it is required (or deems desirable) to conduct in relation to the assignment to such New Lender.
- (e) The procedure set out in this Clause 26.6 shall not apply to any right or obligation under any Finance Document (other than this Agreement) if and to the extent its terms, or any laws or regulations applicable thereto, provide for or require a different means of assignment of such right or release or assumption of such obligation or prohibit or restrict any assignment of such right or release or assumption of such obligation, unless such prohibition or restriction shall not be applicable to the relevant assignment, release or assumption or each condition of any applicable restriction shall have been satisfied.

26.7 Copy of Transfer Certificate or Assignment Agreement to Company

The Facility Agent shall, as soon as reasonably practicable after it has executed a Transfer Certificate or an Assignment Agreement, send to the Borrower a copy of that Transfer Certificate or Assignment Agreement.

26.8 Existing consents and waivers

A New Lender shall be bound by any consent, waiver, election or decision given or made by the relevant Existing Lender under or pursuant to any Finance Document prior to the coming into effect of the relevant assignment or transfer to such New Lender.

26.9 Exclusion of Agent's liability

In relation to any assignment or transfer pursuant to this Clause 26, each Party acknowledges and agrees that the Facility Agent shall not be obliged to enquire as to the accuracy of any representation or warranty made by a New Lender in respect of its eligibility as a Lender.

26.10 Security over Lenders' rights

In addition to the other rights provided to Lenders under this Clause 26, each Lender may without consulting with or obtaining consent from any Obligor Party, at any time charge, assign or otherwise create Security in or over (whether by way of collateral or otherwise) all or any of its rights under any Finance Document to secure obligations of that Lender including, without limitation:

- (a) any charge, assignment or other Security to secure obligations to a federal reserve or central bank; and
 - (b) in the case of any Lender which is a fund, any charge, assignment or other Security granted to any holders (or trustee or representatives of holders) of obligations owed, or securities issued, by that Lender as security for those obligations or securities,
- except that no such charge, assignment or Security shall:
- (i) release a Lender from any of its obligations under the Finance Documents or substitute the beneficiary of the relevant charge, assignment or Security for the Lender as a party to any of the Finance Documents; or

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- (ii) require any payments to be made by an Obligor Party other than or in excess of, or grant to any person any more extensive rights than, those required to be made or granted to the relevant Lender under the Finance Documents.

27. CHANGES TO THE OBLIGORS

Neither the Borrower nor the Guarantor may (and shall ensure no other Obligor Parties will) assign or transfer any of its rights or obligations under any Finance Document, except with the prior written consent of all the Lenders.

28. DISCLOSURE OF INFORMATION

Any Secured Party may disclose:

- (a) to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Secured Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is made aware in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;
- (b) to any person:
 - (i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Transaction Documents and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
 - (ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any sub-participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Transaction Documents and/or one or more Obligor Parties and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
 - (iii) appointed by any Secured Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to receive communications, notices, information or documents delivered pursuant to the Transaction Documents on its behalf (including, without limitation, any person appointed under paragraph (b) of Clause 29.18 (*Relationship with the Lenders*));
 - (iv) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i) or (b)(ii) above;
 - (v) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
 - (vi) to whom information is required to be disclosed in connection with, and for the purposes

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(vii) to whom or for whose benefit that Secured Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 26.10 (*Security over Lenders' rights*);

(viii) who is a Party; or

(ix) with the consent of the Borrower;

in each case, such Confidential Information as that Secured Party shall consider appropriate if:

- (A) in relation to paragraphs (b)(i), (b)(ii) and (b)(iii) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;
 - (B) in relation to paragraph (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;
 - (C) in relation to paragraphs (b)(v), (b)(vi) and (b)(vii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Secured Party, it is not practicable so to do in the circumstances;
- (c) to any person appointed by that Secured Party or by a person to whom paragraph (b)(i) or (b)(ii) above applies to provide administration or settlement services in respect of one or more of the Transaction Documents including without limitation, in relation to the trading of participations in respect of the Transaction Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement to maintain confidentiality of the Confidential Information;
- (d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Transaction Documents and/or the Obligor Parties.

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SECTION 10 THE FINANCE PARTIES

29. ROLE OF THE ADMINISTRATIVE PARTIES

29.1 Appointment of the Facility Agent

- (a) Each of the other Finance Parties appoints the Facility Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each of the other Finance Parties authorises the Facility Agent to exercise the rights, powers, authorities and discretions specifically given to the Facility Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions.

29.2 Appointment of the Security Agent

- (a) Each Secured Party irrevocably appoints the Security Agent to act as its agent under and in connection with the security created under the Transaction Security Documents.
- (b) Each Secured Party irrevocably authorises the Security Agent to:
 - (i) perform the duties and to exercise the rights, powers, authorities and discretions that are specifically given to it under or in connection with the Transaction Security Documents, together with any other incidental rights, powers, authorities and discretions; and
 - (ii) enter into and deliver each Transaction Security Document expressed to be entered into by the Security Agent.

29.3 Duties of the Facility Agent

- (a) Subject to paragraph (c) below, the Facility Agent shall promptly forward to a Party the original or a copy of any document which is delivered to the Facility Agent for that Party by any other Party.
- (c) Without prejudice to Clause 26.7 (*Copy of Transfer Certificate or Assignment Agreement to Company*), paragraph (a) above shall not apply to any Transfer Certificate or to any Assignment Agreement.
- (d) Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (e) If the Facility Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Finance Parties.
- (f) If the Facility Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than to any Administrative Party) under this Agreement it shall promptly notify the other Finance Parties.
- (g) The Facility Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

29.4 Duties of the Security Agent

- (a) The Security Agent shall forward promptly to a Party the original or a copy of any document which is delivered to the Security Agent for that Party by any other Party.

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- (b) Except where a Transaction Security Document specifically provides otherwise, the Security Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it forwards to another Party.
- (c) If the Security Agent receives notice from a Party referring to this Agreement, describing a Default and stating that the circumstance described is a Default, it shall promptly notify the other Secured Parties.
- (d) If the Security Agent is aware of the non-payment of any principal, interest, commitment fee or other fee payable to a Finance Party (other than any Administrative Party) under this Agreement, it shall promptly notify the other Finance Parties.
- (e) The Security Agent shall have only those duties, obligations and responsibilities expressly specified in the Finance Documents to which it is expressed to be a party (and no others shall be implied).

29.5 Role of the Mandated Lead Arrangers

Except as specifically provided in the Finance Documents, each of the Mandated Lead Arrangers has no obligations of any kind to any other Party under or in connection with any Finance Document.

29.6 No fiduciary duties

- (a) Nothing in any Finance Document constitutes any Administrative Party as a trustee or fiduciary of any other person.
- (b) No Administrative Party shall be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

29.7 Business with the Group

Any Administrative Party may accept deposits from, lend money to and generally engage in any kind of banking or other business with any member of the Group.

29.8 Rights and discretions of the Facility Agent

- (a) The Facility Agent may rely on:
 - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorised and shall have no duty to verify any signature on any document; and
 - (ii) any statement purportedly made by a director, authorised signatory or employee of any person regarding any matters which may reasonably be assumed to be within his knowledge or within his power to verify.

- (b) The Facility Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
- (iii) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 24.1 (*Non-payment*));
 - (iv) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised; and
 - (v) any notice or request made by the Borrower is made on behalf of and with the consent and knowledge of all the Obligor Parties.

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- (c) The Facility Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) The Facility Agent may act in relation to the Finance Documents through its personnel and agents.
- (e) The Facility Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (f) Notwithstanding any other provision of any Finance Document to the contrary, no Administrative Party is obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation or a breach of a fiduciary duty or duty of confidentiality.

29.9 Rights and discretions of the Security Agent

- (a) The Security Agent may:
- (i) rely on any representation, communication, notice or document believed by it to be genuine, correct and appropriately authorised;
 - (ii) assume that:
 - (A) any instructions received by it from the Majority Lenders, any Lenders or any group of Lenders are duly given in accordance with the terms of the Finance Documents; and
 - (B) unless it has received notice of revocation, that those instructions have not been revoked; and
 - (iii) rely on a certificate from any person:
 - (A) as to any matter of fact or circumstance which might reasonably be expected to be within the knowledge of that person; or
 - (B) to the effect that such person approves of any particular dealing, transaction, step, action or thing,as sufficient evidence that that is the case and, in the case of paragraph (A) above, may assume the truth and accuracy of that certificate.
- (b) The Security Agent may assume (unless it has received notice to the contrary in its capacity as agent for the Lenders) that:
- (i) no Default has occurred (unless it has actual knowledge of a Default arising under Clause 24.1 (*Non-payment*));
 - (ii) any right, power, authority or discretion vested in any Party or any group of Lenders has not been exercised;
 - (iii) any notice or request made by the Borrower (other than the Utilisation Request) is made on behalf of and with the consent and knowledge of all the Obligor Parties.

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- (c) The Security Agent may engage, pay for and rely on the advice or services of any lawyers, accountants, surveyors or other experts.
- (d) The Security Agent may act in relation to the Finance Documents through its personnel and agents. The Security Agent shall not be liable for the acts or omissions of any such agents provided that it has acted in good faith in the selection of such agents.
- (e) The Security Agent may disclose to any other Party any information it reasonably believes it has received as agent or trustee under this Agreement.
- (f) Notwithstanding any other provision of any Finance Document to the contrary, the Security Agent is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or a breach of a fiduciary duty or duty of confidentiality.
- (g) In the event there is an inconsistency or conflict between the rights, duties, benefits, obligations, protections, immunities or indemnities of the Security Agent (the “**Security Agent Provisions**”) as contained in this Agreement, on the one hand, and in any of the other Finance Documents, on the other hand, the Security Agent Provisions contained in this Agreement shall prevail and apply. The Security Agent Provisions contained in this Agreement are for the benefit of the Security Agent and shall survive the discharge or termination of this Agreement.

29.10 Instructions

- (a) Each of the Facility Agent and the Security Agent shall:
- (i) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it in accordance with any instructions given to it by:
 - (A) all Lenders if the relevant Finance Document stipulates the matter is an all Lender decision; and
 - (B) in all other cases, the Majority Lenders; and
 - (ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with sub-paragraph (i) above.
- (b) Each of Facility Agent and the Security Agent shall be entitled to request instructions, or clarification of any instruction, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Lender or group of Lenders, from that Lender or group of Lenders) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion and the Facility Agent and the Security Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested.
- (c) Save in the case of decisions stipulated to be a matter for any other Lender or group of Lenders under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Facility Agent or the Security Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.
- (d) Notwithstanding anything to the contrary in a Finance Document, the Facility Agent and the Security Agent may refrain from acting in accordance with any instructions of any Lender or group of Lenders until it has received any indemnification and/or security that it may in its discretion require (which

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may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.

- (e) In the absence of instructions, the Facility Agent and the Security Agent may act (or refrain from acting) as it considers to be in the best interest of the Lenders.
- (f) Neither the Facility Agent nor the Security Agent is authorised to act on behalf of a Secured Party (without first obtaining that Secured Party’s consent) in any legal or arbitration proceedings relating to any Transaction Document. This Paragraph (f) shall not apply to any legal or arbitration proceeding relating to the perfection, preservation or protection of rights under the Transaction Security Documents or enforcement of the Transaction Security or Transaction Security Documents.

29.11 Responsibility for documentation

No Administrative Party:

- (a) is responsible for the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by any Administrative Party, an Obligor Party or any other person given in or in connection with any Transaction Document; or

- (b) is responsible for the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document, the Transaction Security or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Transaction Document or the Transaction Security; or
- (c) is responsible for any determination as to whether any information provided or to be provided to any Secured Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

29.12 Exclusion of liability

- (a) Without limiting paragraph (b) below (and without prejudice to any other provision of any Finance Document excluding or limiting the liability of any Administrative Party), no Administrative Party shall be liable for any cost, loss or liability incurred by any Party as a consequence of:
 - (i) the Administrative Party having taken or having omitted to take any action under or in connection with any Transaction Document or the Transaction Security, unless directly caused by the Administrative Party's gross negligence or wilful misconduct; or
 - (ii) any delay in the crediting to any account of an amount required under the Transaction Documents to be paid by the Administrative Party, if the Administrative Party shall have taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Administrative Party for the purpose of such payment.
- (b) No Party (other than the relevant Administrative Party) may take any proceedings against any officer, employee or agent of an Administrative Party in respect of any claim it might have against that Administrative Party or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Transaction Document or the Transaction Security and any officer, employee or agent of an Administrative Party may rely on this Clause.

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- (c) Nothing in this Agreement shall oblige any Administrative Party to conduct any "know your customer" or other procedures in relation to any person on behalf of any Lender and each Lender confirms to each Administrative Party that it is solely responsible for any such procedures it is required to conduct and that it shall not rely on any statement in relation to such procedures made by any Administrative Party.

29.13 Lenders' indemnity to the Facility Agent

- (a) Each Lender shall, in accordance with paragraph (b) below, indemnify the Facility Agent, within three Business Days of demand, against any cost, loss or liability incurred by the Facility Agent (otherwise than by reason of the Facility Agent's gross negligence or wilful misconduct) in acting as Facility Agent under the Finance Documents (unless the Facility Agent has been reimbursed by an Obligor pursuant to a Finance Document).
- (b) The proportion of such cost, loss or liability to be borne by each Lender shall be:
 - (i) if there is any Loan then outstanding, the proportion borne by (A) the sum of its participation(s) in the Loan(s) then outstanding to (B) the aggregate amount of such Loan(s), or
 - (ii) if there is no Loan then outstanding and the Available Facility is then greater than zero, the proportion borne by (A) its Available Commitment to (B) the Available Facility, or
 - (iii) if there is no Loan then outstanding and the Available Facility is then zero:
 - (1) if the Available Facility became zero after a Loan ceased to be outstanding, the proportion borne by (A) its Available Commitment to (B) the Available Facility immediately before the Available Facility became zero, or
 - (2) if a Loan ceased to be outstanding after the Available Facility became zero, the proportion borne by (A) the sum of its participation(s) in the Loan(s) outstanding immediately before any Loan ceased to be outstanding to (B) the aggregate amount of such Loan(s).

29.14 Secured Parties' indemnity to the Security Agent

- (a) Without limiting the liability of any Obligor Party under the Transaction Documents, each Secured Party shall indemnify the Security Agent for that Secured Party's share of any cost, loss or liability (whether arising in contract, tort or otherwise) incurred by the Security Agent in acting as Security Agent under the Transaction Security Documents, except to the extent that the cost, loss or liability is caused by the Security Agent's gross negligence, wilful misconduct or fraud.
- (b) The Borrower shall reimburse the Secured Parties for any amount paid to the Security Agent under this Clause 29.14 (*Secured Parties' indemnity to the Security Agent*).

29.15 Resignation of the Facility Agent

- (a) The Facility Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties and the Borrower.
- (b) Alternatively the Facility Agent may resign by giving notice to the other Finance Parties and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Facility Agent.

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- (c) If the Majority Lenders have not appointed a successor Facility Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given, the retiring Facility Agent (after consultation with the Borrower) may appoint a successor Facility Agent.
- (d) The retiring Facility Agent shall make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.
- (e) The Facility Agent's resignation notice shall take effect only upon the appointment of a successor.
- (f) Upon the appointment of a successor, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of this Clause 29. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (g) After consultation with the Borrower, the Majority Lenders may, by notice to the Facility Agent, require it to resign in accordance with paragraph (b) above. In this event, the Facility Agent shall resign in accordance with paragraph (b) above.
- (h) The Facility Agent shall resign in accordance with paragraph (b) above (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Facility Agent pursuant to paragraph (c) above) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Facility Agent under the Finance Documents, either:
 - (i) the Facility Agent fails to respond to a request under Clause 13.6 (FATCA Information) and a Lender reasonably believes that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
 - (ii) the information supplied by the Facility Agent pursuant to Clause 13.6 (FATCA Information) indicates that the Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or
 - (iii) the Facility Agent notifies the Borrower and the Lenders that Facility Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;

and (in each case) a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Facility Agent were a FATCA Exempt Party, and that Lender, by notice to the Facility Agent, requires it to resign.

29.16 Resignation of the Security Agent

- (a) The Security Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Secured Parties and the Borrower.
- (b) Alternatively the Security Agent may resign by giving notice to the other Secured Parties and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Security Agent.
- (c) If the Majority Lenders have not appointed a successor Security Agent in accordance with paragraph (b) above within 30 days after notice of resignation was given, the retiring Security Agent (after consultation with the Borrower) may appoint a successor Security Agent.

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- (d) The retiring Security Agent shall make available to the successor Security Agent such documents and records and provide such assistance as the successor Security Agent may reasonably request for the purposes of performing its functions as Security Agent under the Transaction Documents.
- (e) The retiring Security Agent shall enter into and deliver to the successor Security Agent those documents and effect any registrations as may be reasonably required for the transfer or assignment of all of its rights and benefits under the Transaction Documents to the successor Security Agent.
- (f) The Security Agent's resignation notice shall take effect only (i) upon the appointment of a successor and (ii) the transfer of all of the Security Property to that successor.
- (g) Upon the appointment of a successor, the retiring Security Agent shall be discharged from any further obligation in respect of the Transaction Documents (other than paragraph (e) above) but shall remain entitled to the benefit of this Clause 29. Its successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (h) After consultation with the Borrower, the Majority Lenders may, by notice to the Security Agent, require it to resign in accordance with paragraph (b) above. In this event, the Security Agent shall resign in accordance with paragraph (b) above.
- (i) The Security Agent shall resign in accordance with Paragraph 29.17 (and, to the extent applicable, shall use reasonable endeavours to appoint a successor Security Agent pursuant to Paragraph 29.18) if on or after the date which is three months before the earliest FATCA Application Date relating to any payment to the Security Agent under the Finance Documents, either:
 - (i) the Security Agent fails to respond to a request under Clause 13.6 (FATCA Information) and a Lender reasonably believes that the Security Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
 - (ii) the information supplied by the Security Agent pursuant to Clause 13.6 (FATCA Information) indicates that the Security Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date; or
 - (iii) the Security Agent notifies the Borrower and the Lenders that the Security Agent will not be (or will have ceased to be) a FATCA Exempt Party on or after that FATCA Application Date;
 and (in each case) a Lender reasonably believes that a Party will be required to make a FATCA Deduction that would not be required if the Security Agent were a FATCA Exempt Party, and that Lender, by notice to the Security Agent, requires it to resign.

29.17 Confidentiality

- (a) In acting as Facility Agent for the Finance Parties, or in the case of the Security Agent, for the Secured Parties, the Facility Agent and the Security Agent shall be regarded as acting through its agency division which shall be treated as a separate legal person from any other of its branches, divisions or departments.

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- (b) If information is received by another branch, division or department of the legal person which is the Facility Agent or the Security Agent, it may be treated as confidential to that branch, division or department and the Facility Agent or the Security Agent shall not be deemed to have notice of it.
- (c) The Facility Agent or the Security Agent shall not be obliged to disclose to any Finance Party, or in the case of the Security Agent, any Secured Party, any information supplied to it by the Borrower or any other Obligor Party on a confidential basis and for the purpose of evaluating whether any waiver or amendment is or may be required or desirable in relation to any Finance Document.

29.18 Relationship with the Lenders

- (a) The Facility Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Facility Agent's principal office as notified to the Finance Parties from time to time) as the Lender acting through its Facility Office:
 - (i) entitled to or liable for any payment due under any Finance Document on that day; and
 - (ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,
 unless it has received not less than five Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.
- (b) Each Lender shall supply the Facility Agent with any information that the Security Agent may specify (through the Facility Agent) as being necessary or desirable to enable the Security Agent to perform its functions as Security Agent. Each Lender shall deal with the Security Agent exclusively through the Facility Agent and shall not deal directly with the Security Agent.
- (c) Any Lender may by notice to the Facility Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Lender under the Finance Documents.
- (d) Any such notice in the above paragraph (c):
 - (i) must contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under this Agreement) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made); and
 - (ii) will be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Lender for the purposes of the Finance Documents,
 and the Facility Agent is entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

29.19 Relationship with Secured Parties

- (a) The Security Agent may treat the person shown in its records as Secured Party at the opening of business (in the place of the Security Agent's principal office as notified to the Parties from time to time) as the Secured Party acting through its Facility Office:

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- (i) entitled to or liable for any payment due under any Transaction Security Document on that day; and
 - (ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Transaction Security Document made or delivered on that day,
- unless it has received not less than five Business Days' prior notice from that Secured Party to the contrary in accordance with the terms of this Agreement.
- (b) Any Secured Party may by notice to the Security Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or despatched to that Secured Party under the Transaction Security Documents.
 - (c) Any such notice in the above paragraph (b):
 - (i) must contain the address, fax number and (where communication by electronic mail or other electronic means is permitted under this Agreement) electronic mail address and/or any other information required to enable the sending and receipt of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made); and
 - (ii) will be treated as a notification of a substitute address, fax number, electronic mail address, department and officer by that Secured Party for the purposes of this Agreement and the Transaction Security Documents,
 and the Security Agent is entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Secured Party.

29.20 Credit appraisal by the Lenders and the Secured Parties

Without affecting the responsibility of any Obligor Party for information supplied by it or on its behalf in connection with any Transaction Document, each Secured Party confirms to each Administrative Party that it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Transaction Document including but not limited to:

- (a) the financial condition, status and nature of each member of the Group;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Transaction Document, the Transaction Security and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document or the Transaction Security;
- (c) whether that Secured Party has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Transaction Document, the Transaction Security, the transactions contemplated by the Transaction Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any

- (d) the adequacy, accuracy and/or completeness of the information provided by any Party or by any other person under or in connection with any Transaction Document, the transactions contemplated by the Transaction Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Transaction Document;
- (e) the right or title of any person in or to, or the value or sufficiency of any part of the Security Property, the priority of any of the Transaction Security or the existence of any Security affecting the Security Property.

29.21 Deduction from amounts payable by the Facility Agent and the Security Agent

If any Party owes an amount to the Security Agent or the Facility Agent, as the case may be, under the Transaction Documents, the Facility Agent or the Security Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Facility Agent or the Security Agent would otherwise be obliged to make under the Transaction Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Transaction Documents that Party shall be regarded as having received any amount so deducted.

29.22 Facility Agent's and Security Agent's management time

Any amount payable to the Facility Agent or the Security Agent under Clause 16.3 (*Indemnity to the Facility Agent*), Clause 17 (*Costs and expenses*), Clause 29.13 (*Lenders' indemnity to the Facility Agent*) and Clause 29.14 (*Secured Parties' indemnity to the Security Agent*) shall include the cost of utilising the Facility Agent's or the Security Agent's management time or other resources and will be calculated on the basis of such reasonable daily or hourly rates as the Facility Agent or the Security Agent may notify to the Borrower and the Lenders, and is in addition to any fee paid or payable to the Facility Agent under Clause 12 (*Fees*).

30. SHARING AMONG THE FINANCE PARTIES

30.1 Payments to Finance Parties

If a Finance Party (a "**Recovering Finance Party**") receives or recovers (whether by set off or otherwise) any amount from an Obligor other than in accordance with Clause 32 (*Payment mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three Business Days, notify details of the receipt or recovery, to the Facility Agent;
- (b) the Facility Agent shall determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Facility Agent and distributed in accordance with Clause 32 (*Payment mechanics*), without taking account of any Tax which would be imposed on the Facility Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Facility Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 32.5 (*Partial payments*).

30.2 Redistribution of payments

The Facility Agent shall treat the Sharing Payment as if it had been paid by the relevant Obligor Party and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 32.5 (*Partial payments*) towards the obligations of that Obligor Party to the Sharing Finance Parties.

30.3 Recovering Finance Party's rights

- (a) On a distribution by the Facility Agent under Clause 30.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from an Obligor Party, as between the relevant Obligor Party and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by that Obligor Party.
- (b) If and to the extent that the Recovering Finance Party is not able to rely on its rights under paragraph (a) above, the relevant Obligor Party shall be liable to the Recovering Finance Party for a debt equal to the Sharing Payment which is immediately due and payable.

30.4 Reversal of redistribution

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Facility Agent, pay to the Facility Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and
- (b) as between the relevant Obligor Party and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by that Obligor Party.

30.5 Exceptions

- (a) This Clause 30 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause, have a valid and enforceable claim against the relevant Obligor Party.
- (b) A Recovering Finance Party is not obliged to share with any other Finance Party any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (iii) it notified that other Finance Party of the legal or arbitration proceedings; and
 - (iv) that other Finance Party had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

31. SHARING AMONG THE SECURED PARTIES

31.1 Equalisation Payments

If, following acceleration of the Loans in accordance with Clause 24.21 (*Acceleration*), any amount owing by any Obligor Party under the Transaction Documents to a Secured Party (a **Recovering**

Secured Party) is discharged by payment, set-off or any other manner other than through the Security Agent under this Agreement, then:

- (a) the Recovering Secured Party shall, within three Business Days supply details of the recovery to the Security Agent;
- (b) the Security Agent shall calculate whether the recovery is in excess of the amount which the Recovering Secured Party would have received if the recovery had been received by the Security Agent under the Transaction Security Documents and applied in accordance with this Agreement; and
- (c) the Recovering Secured Party shall pay to the Security Agent an amount equal to the excess (the **redistribution**).

31.2 Effect of redistribution

- (a) The Security Agent shall treat a redistribution as if it were the proceeds of enforcement of the Transaction Security Documents and distribute it in accordance with this Agreement.
- (b) When the Security Agent makes a distribution under paragraph (a) above, the Recovering Secured Party will be subrogated to the rights of the Secured Parties which have shared in that redistribution.
- (c) If and to the extent that the Recovering Secured Party is not able to rely on any rights of subrogation under paragraph (b) above, the relevant Obligor Party will owe the Recovering Secured Party a debt which is equal to the redistribution, immediately payable and of the type originally discharged.
- (d) If:

- (v) a Recovering Secured Party shall subsequently return a recovery, or an amount measured by reference to a recovery, to an Obligor Party; and
- (vi) the Recovering Secured Party has paid a redistribution in relation to that recovery,
- (vii) each Secured Party shall reimburse the Recovering Secured Party all or the appropriate portion of the redistribution paid to that Secured Party, together with interest for the period while it held the redistribution. In this event, the subrogation in paragraph (b) above will operate in reverse to the extent of the reimbursement.

31.3 Loss sharing

- (a) If any Secured Liability remains undischarged and any resulting loss is not borne by a Secured Party in accordance with Clause 25.13 (*Proceeds of enforcement*), the Secured Parties shall make such payments between themselves as the Security Agent may require to ensure that after taking into account those payments the losses are borne by the Secured Parties as if Clause 25.13 (*Proceeds of enforcement*) had applied.
- (b) For the purpose of paragraph (a) above:
 - (i) the Total Commitments under this Agreement will be notionally increased by an aggregate amount equal to the aggregate of any amount (if any, the "**Hedging Termination Payment**"):

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- (A) payable to any Hedging Provider as a result of the Hedging Termination under a Hedging Arrangement if such Hedging Arrangement was so terminated or closed out prior to the date of enforcement of the Transaction Security; or
 - (B) that would be payable to any Hedging Provider as a result of the Hedging Termination under a Hedging Arrangement if such Hedging Arrangement were so terminated or closed out on the date of enforcement of the Transaction Security; and
 - (ii) each Hedging Provider shall be deemed (if it is a Lender) to have the aggregate amount of its Commitments increased by, or (if it is not a Lender) to have a Commitment in, the amount equal to the aggregate of the Hedging Termination Payments (if any) that would be payable to that Hedging Provider as a result of the Hedging Termination under the Hedging Arrangements on the date of the enforcement of the security under the Transaction Security Documents.
- (c) This Clause 31.3 (*Loss sharing*) is without prejudice to Clause 29.14 (*Secured Parties' indemnity to the Security Agent*).

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SECTION 11 ADMINISTRATION

32. PAYMENT MECHANICS

32.1 Payments to the Facility Agent

- (a) On each date on which an Obligor Party or a Lender is required to make a payment under a Finance Document, that Obligor Party or Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) Payment shall be made to such account in the principal financial centre of the country of that currency with such bank as the Facility Agent specifies.

32.2 Distributions by the Facility Agent

- (a) Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 32.3 (*Distributions to an Obligor Party*) and Clause 32.4 (*Clawback*) be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement (in the case of a Lender, for the account of its Facility Office), to such account as that Party may notify to the Facility Agent by not less than five Business Days' notice with a bank in the principal financial centre of the country of that currency.
- (b) The Facility Agent shall distribute payments received by it in relation to all or any part of a Loan to the Lender indicated in the records of the Facility Agent as being so entitled on that date provided that the Facility Agent is authorised to distribute payments to be made on the date on which any transfer becomes effective pursuant to Clause 26 (*Changes to the Lenders*) to the Lender so entitled immediately before such transfer took place regardless of the period to which such sums relate.

32.3 Distributions to an Obligor Party

The Facility Agent may (with the consent of the Obligor Party or in accordance with Clause 33 (*Set-off*)) apply any amount received by it for that Obligor Party in or towards payment (in the currency and funds of receipt) of any amount due from that Obligor Party under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

32.4 Clawback

- (a) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

32.5 Partial payments

- (a) If the Facility Agent or the Security Agent, as the case may be, receives a payment that is insufficient to discharge all the amounts then due and payable by an Obligor Party under the Finance Documents,

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or as the case may be, the Transaction Document, the Facility Agent or the Security Agent, as the case may be, shall apply that payment towards the obligations of that Obligor Party under the Finance Documents, or as the case may be, the Transaction Documents, in the following order:

- (i) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of, and other amounts owing to, the Facility Agent and the Security Agent under the Finance Documents;
 - (ii) **secondly**, in or towards payment pro rata of any accrued interest, fee (other than as provided in (i) above) or commission due but unpaid under the Finance Documents and any hedging payment due from the Borrower but unpaid under the Hedging Arrangements;
 - (iii) **thirdly**, in or towards payment pro rata of any principal due but unpaid under this Agreement and any Hedging Termination Payment (if any); and
 - (iv) **fourthly**, in or towards payment pro rata of any other sum due but unpaid under the Finance Documents.
- (c) The Facility Agent or, as the case may be, the Security Agent shall, if so directed by the Majority Lenders, vary the order set out in paragraphs (a)(ii) to (iv) above.
- (d) Paragraphs (a) and (b) above will override any appropriation made by an Obligor Party.

32.6 No set-off by Obligor

All payments to be made by an Obligor Party under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

32.7 Business Days

- (a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).
- (b) During any extension of the due date for payment of any principal or Unpaid Sum under paragraph (a) above, interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

32.8 Currency of account

- (a) Subject to paragraphs (b) to (e) below, RMB is the currency of account and payment for any sum due from an Obligor Party under any Finance Document.
- (b) A repayment of a Loan or Unpaid Sum or a part of a Loan or Unpaid Sum shall be made in the currency in which that Loan or Unpaid Sum is denominated on its due date.
- (c) Each payment of interest shall be made in the currency in which the sum in respect of which the interest is payable was denominated when that interest accrued.
- (e) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (f) Any amount expressed to be payable in a currency other than RMB shall be paid in that other currency.

32.9 Change of currency

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

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- (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Facility Agent (after consultation with the Borrower); and
 - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Facility Agent (acting reasonably).
- (b) If a change in any currency of a country occurs, this Agreement will, to the extent the Facility Agent (acting reasonably and after consultation with the Borrower) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

33. SET-OFF

A Finance Party may set off any matured obligation due from an Obligor Party under the Finance Documents (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to that Obligor Party, regardless of the place of payment, booking branch or currency of either obligation [and promptly notify the relevant Obligor Party of such set-off]. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off. A Finance Party shall notify the Borrower as soon as practicable after the set off.

34. NOTICES

34.1 Communications in writing

Any communication to be made under or in connection with the Finance Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

34.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Finance Documents is:

- (a) The contact details of the Obligor Parties for this purpose are:

Address:	2/F, Tower 2, Youyou Century Place, 428 South Yanggao Road, Pudong, Shanghai 200127, P.R.C.
Fax number:	8621-20330202
E-mail:	jiqiang@gds-services.com
Attention:	Finance SVP, Ji Qiang
Telephone number:	8621-20330303

- (b) in the case of the Facility Agent, the Security Agent and the Account Bank that identified with its name below,

- (i) The contact details of the Facility Agent for this purpose are:

Address:	111 Dongyuan Road, Pudong New Area, Shanghai, 200120
Fax number:	86 21 6886 0908
E-mail:	zhang.yunfei@uobgroup.com / Annie.Zhangmz@uobgroup.com

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Attention:	Zhang Yun Fei / Zhang Min Zhi
Telephone number:	86 21 6061 8258 / 86 21 6061 8326

- (ii) The contact details of the Security Agent for this purpose are:

Address:	111 Dongyuan Road, Pudong New Area, Shanghai, 200120
Fax number:	86 21 6886 0908
E-mail:	zhang.yunfei@uobgroup.com / Annie.Zhangmz@uobgroup.com
Attention:	Zhang Yun Fei / Zhang Min Zhi
Telephone number:	86 21 6061 8258 / 86 21 6061 8326

- (iii) The contact details of the Account Bank for this purpose are:

Address:	UNIT 02,03,05,06, 13F,SHUN HING SQUARE DI WANG COMMERCIAL CENTRE,5002 SHENNAN ROAD EAST, SHENZHEN 518008 P.R.CHINA
Fax number:	(86-755) 82463326
E-mail:	Jack.LuoJJ@UOBgroup.com / Tina.TuLP@UOBgroup.com
Attention:	Jack Luo, Jun Jie / Tina Tu, Li Ping
Telephone number:	(86) 755-2294 5602 / (86) 755-2294 5658

or any substitute address, fax number or department or officer as the Party may notify to the Facility Agent (or the Facility Agent may notify to the other Parties, if a change is made by the Facility Agent) by not less than five Business Days' notice.

34.3 Delivery

- (a) Any communication or document made or delivered by one person to another under or in connection with the Finance Documents will be effective:

- (i) if by way of fax, only when received in legible form; or
- (ii) if by way of letter, only when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details provided under Clause 34.2 (*Addresses*), if addressed to that department or officer.

- (g) Any communication or document to be made or delivered to the Facility Agent or the Security Agent will be effective only when actually received by the Facility Agent or the Security Agent and then only if it is expressly marked for the attention of the department or officer identified with the Facility Agent's or the Security Agent's signature below (or any substitute department or officer as the Facility Agent or the Security Agent shall specify for this purpose).
- (h) All notices from or to an Obligor Party shall be sent through the Facility Agent.
- (i) All communications from or to an Obligor Party (other than the Borrower) must be sent through the Borrower.

(j) Any communication made or delivered to the Borrower in accordance with this Clause will be deemed to have been made or delivered to each of the Obligor Parties.

(k) Each Secured Party may assume that any communication made by the Borrower (or by the Borrower on behalf of an Obligor Party) is made with the consent of each other Obligor Party.

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(l) Any communication or document which becomes effective, in accordance with paragraphs (a) to (d) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

(m) No Secured Party shall be held liable on any basis, whether in contract, tort (including negligence) or otherwise, in respect of any damage, loss or any other forms of liability as a result of any interception, corruption, loss, destruction, late arrival or degradation of information communicated through email due to any inherent risk associated with the use of email as a mode of communication as described in this Clause.

34.4 Electronic communication

(a) Any communication to be made between any two Parties under or in connection with the Finance Documents may be made by electronic mail or other electronic means to the extent that those two Parties agree that, unless and until notified to the contrary, this is to be an accepted form of communication and if those two Parties:

(i) notify each other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(ii) notify each other of any change to their address or any other such information supplied by them by not less than five Business Days' notice.

(b) Any electronic communication made between those two Parties will be effective only when actually received in readable form and in the case of any electronic communication made by a Party to the Facility Agent or the Security Agent only if it is addressed in such a manner as the Facility Agent or the Security Agent shall specify for this purpose.

(n) Any electronic communication which becomes effective, in accordance with paragraph (b) above, after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

34.5 English and Chinese language

(a) This Agreement will be executed in both English and Chinese, and in any case there is any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

(b) Any notice given under or in connection with any Finance Document must be in English or Chinese.

(o) All other documents provided under or in connection with any Finance Document must be:

(i) in English or Chinese; or

(ii) if not in English or Chinese, and if so required by the Facility Agent, accompanied by a certified English or Chinese translation and, in this case, the English or Chinese translation will prevail unless the document is a constitutional, statutory or other official document.

35. CALCULATIONS AND CERTIFICATES

35.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

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35.2 Certificates and determinations

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

35.3 Day count convention

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of the actual number of days elapsed and a year of 360 days or, in any case where the practice in the Relevant Interbank Market differs, in accordance with that market practice.

36. PARTIAL INVALIDITY

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

37. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any of the Finance Documents on the part of any Finance Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

38. AMENDMENTS AND WAIVERS

38.1 Required consents

(a) Subject to Clause 38.2 (*Exceptions*) any term of the Finance Documents may be amended or waived only with the consent of the Majority Lenders and the relevant Obligor Party and any such amendment or waiver will be binding on all Parties.

(b) The Facility Agent may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 38. The Facility Agent shall notify the other Parties promptly of any amendment or waiver effected by it under this paragraph.

38.2 Exceptions

(a) An amendment or waiver that has the effect of changing or which relates to:

(i) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);

(ii) an extension to the date of payment of any amount under the Finance Documents;

(iii) a reduction in the Interest Relevant Percentage or a reduction in the amount of any payment of principal, interest, fees or commission payable that is not consistent with this Agreement;

(iv) an increase in the amount of any Commitment or an extension of the period of availability for utilisation of any Commitment or any requirement that a cancellation of Commitments reduces the Commitments of the Lenders rateably under the relevant Facility;

(v) a change to an Obligor Party other than in accordance with this Agreement;

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(vi) a release of any Transaction Security Document or Transaction Security other than in accordance with this Agreement;

(vii) any provision which expressly requires the consent of all the Lenders;

(viii) Clause 2.2 (*Extension of Facility B Availability Period*)

(b) The Borrower may by giving prior notice to the Facility Agent by no later than fifteen (15) Business Days request that the Facility B Availability Period be extended to a date not later than the date falling 26 Months after the date of this Agreement.

- (c) Any extension of the Facility B Availability Period will only be effective upon written consent of all Lenders.
- (d) The Borrower may only request to extend the Facility B Availability Period no more than two times.
 - (ix) Finance Parties' rights and obligations), Clause 26 (*Changes to the Lenders*), Clause 40 (*Governing law*), Clause 41 (*Enforcement*) or this Clause 38; or
 - (x) the nature or scope of, or the release of, any guarantee and indemnity granted under Clause 19 (*Guarantee and indemnity*) or of any Transaction Security unless permitted under any Finance Document, shall not be made without the prior consent of all the Lenders.
- (e) A Fee Letter may be amended or waived with the agreement of each Administrative Party that is a party to that Fee Letter and the Borrower.
- (f) An amendment or waiver which relates to the rights or obligations of any Administrative Party may not be effected without the consent of such Administrative Party.

39. COUNTERPARTS

Each Finance Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Finance Document.

**SECTION 12
GOVERNING LAW AND ENFORCEMENT**

40. GOVERNING LAW

This Agreement, and all obligations arising from or in connection with this Agreement are governed by PRC law.

41. ENFORCEMENT

41.1 Jurisdiction of PRC courts

- (a) The competent courts of PRC at the Facility Agent's domicile have exclusive jurisdiction to settle any dispute arising out of or in connection with this Agreement (a "**Dispute**").
- (b) The courts of the PRC are the most appropriate and convenient courts to settle any such dispute in connection with this Agreement. Each Obligor agrees not to argue to the contrary and waives objection to those courts on the grounds of inconvenient forum or otherwise in relation to proceedings in connection with this Agreement.
- (c) This Clause 41.1 is for the benefit of the Finance Parties only. As a result, no Finance Party shall be prevented from taking proceedings relating to a Dispute in any other courts with jurisdiction. To the extent allowed by law, the Finance Parties may take concurrent proceedings in any number of jurisdictions.
- (d) References in this Clause to a Dispute in connection with this Agreement include any dispute as to the existence, validity or termination of this Agreement.

41.2 Waiver of immunities

Each Obligor irrevocably waives, to the extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all immunity on the grounds of sovereignty or other similar grounds from:

- (a) suit;
- (b) jurisdiction of any court;
- (c) relief by way of injunction or order for specific performance or recovery of property;
- (d) attachment of its assets (whether before or after judgment); and
- (e) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction (and irrevocably agrees, to the extent permitted by applicable law, that it will not claim any immunity in any such proceedings).

This Agreement has been entered into on the date stated at the beginning of this Agreement.

**SCHEDULE 1
LENDERS AND THEIR COMMITMENTS**

Part I Lenders and Facility A Commitment

Name of Original Lender		Facility A Commitment
□□□□□□□□□□□□□□□□□□□□(Credit Agricole Corporate and Investment Bank (China) Limited Shanghai Branch)	RMB	75,000,000
□□□□(□□)□□□□□□□□□□(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)	RMB	75,000,000

Part II Lenders and Facility B Commitment

Name of Original Lender		Facility B Commitment
□□□□□□□□□□□□□□□□□□□□(Credit Agricole Corporate and Investment Bank (China) Limited Shanghai Branch)	RMB	140,000,000
□□□□(□□)□□□□□□□□□□(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)	RMB	140,000,000

Part III Lenders and Facility C Commitment

Name of Original Lender		Facility C Commitment
□□□□□□□□□□□□□□□□□□□□(Credit Agricole Corporate and Investment Bank (China) Limited Shanghai Branch)	RMB	50,000,000
□□□□(□□)□□□□□□□□□□(UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)	RMB	50,000,000

**SCHEDULE 2
CONDITIONS PRECEDENT AND CONDITIONS SUBSEQUENT**

Part I

Conditions Precedent to Initial Utilisation for All Facilities

1. Obligor Parties

- (a) Certified copies of the following up-to-date constitutional documents of the Borrower:
 - (i) Articles of Association (□□□□);
 - (ii) Business license (□□□□);
 - (iii) Tax Registration Certificate (both local and state) (□□□□□□□□);
 - (iv) Organizational Code Certificate (□□□□□□□□);

- (v) Capital Verification Report (□□□□);
- (vi) List of Directors (□□□□);
- (vii) Certificate of Approval (□□□□□□□□); and
- (viii) Approvals from MOFCOM in respect of its establishment and all subsequent corporate changes.

(b) Certified copies of the following up-to-date constitutional documents of the Guarantor:

- (i) Articles of Association (□□□□);
- (ii) Business license (□□□□);
- (iii) Tax Registration Certificate (both local and state) (□□□□□□□□);
- (iv) Organizational Code Certificate (□□□□□□□□);
- (v) Capital Verification Report (□□□□); and
- (vi) List of Directors (□□□□).

(c) Certified copies of the following up-to-date constitutional documents of GDS Suzhou:

- (i) Articles of Association (□□□□);
- (ii) Business license (□□□□);
- (iii) Tax Registration Certificate (both local and state) (□□□□□□□□);
- (iv) Organizational Code Certificate (□□□□□□□□);

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- (v) Capital Verification Report (□□□□);
- (vi) List of Directors (□□□□);
- (vii) Certificate of Approval (□□□□□□□□); and
- (viii) Approvals from MOFCOM in respect of its establishment and all subsequent corporate changes.

(d) Certified copies of the following up-to-date constitutional documents of the Ultimate Parent:

- (i) Certificate of Incorporation;
- (ii) Memorandum of Association & Articles of Association;
- (iii) Register of Directors;
- (iv) Register of Members;
- (v) Register of Mortgages and Charges; and
- (vi) Certificate of Good Standing issued by the relevant authority in the Cayman Islands and dated as close to the proposed Utilisation Date in the Utilisation Request as possible, but in no event older than seven (7) days than the proposed Utilisation Date.

(e) Certified copies of the following up-to-date constitutional documents of the Intermediate Parent:

- (i) Certificate of Incorporation;
- (ii) Memorandum of Association & Articles of Association;
- (iii) Register of Directors;
- (iv) Register of Members;
- (v) Register of Mortgages and Charges; and
- (vi) Certificate of Good Standing issued by the relevant authority in the Cayman Islands and dated as close to the proposed Utilisation Date in the Utilisation Request as possible, but in no event older than seven (7) days than the proposed Utilisation Date.

(f) Certified copies of the following up-to-date constitutional documents of the Parent:

- (i) Certificate of Incorporation (Certificate of Incorporation upon Change of Name); and
- (ii) Memorandum and Articles of Association.

(g) A certified copy of a resolution of the board of directors (in the case of the Ultimate Parent, the Intermediate Parent and the Parent) and a resolution of the shareholder (in the case of the Borrower, the Guarantor and GDS Suzhou):

- (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute, deliver and perform the Finance Documents to which it is a party;

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- (ii) authorising a specified person or persons to execute the Finance Documents to which it is a party on its behalf;
- (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party; and
- (iv) in the case of the Ultimate Parent, resolving that it is in the best interests of that the Ultimate Parent to enter into the transactions contemplated by the Finance Documents to which it is a party.

(h) A specimen of the signature of each person authorised by the resolution referred to in paragraph (g) above.

(i) A copy of a resolution signed by all the holders of the issued shares in the Parent approving the amendment of the Memorandum and Articles of Association of the Parent for the purpose of removing restrictions on share transfer.

(j) A copy of a resolution signed by all the holders of the issued preferred shares in the Ultimate Parent approving the terms of, and the transactions contemplated by the Ultimate Parent Guarantee and certain actions contemplated by the Finance Documents.

(k) A certificate of each Obligor Party (signed by an authorized signatory) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments would not cause any borrowing, guarantee or security or similar limit binding on it to be exceeded.

(l) A certificate of each Obligor Party (signed by an authorized signatory) certifying that each copy document relating to it specified in this Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of this Agreement.

2. Finance Documents and Ancillary Documents

(a) Each of the following documents, duly executed by each party to it:

- (i) this Agreement;
- (ii) the Initial Fee Letters;
- (iii) the Account Control Agreement;
- (iv) the Ultimate Parent Guarantee;
- (v) the Share Mortgage Agreement;
- (vi) the Equity Pledge Agreement;
- (vii) the Movable Assets Mortgage Agreement (Project SZ1);
- (viii) the Lease Assignment Agreement;
- (ix) the Insurance Assignment Agreement (Project SZ1);
- (x) the Pledge of Receivables (Borrower);

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- (xi) the Pledge of Receivables (Guarantor);
- (xii) the Pledge of Receivables (GDS Suzhou);
- (xiii) the Subordination Agreement.

(b) Each of the following documents, in a form mutually acceptable to each of the parties thereto but unsigned:

- (i) the Movable Assets Mortgage Agreement (Project SZ2);
- (ii) the Insurance Assignment Agreement (Project SZ2).

(c) To the extent a Transaction Security Document requires, each of ancillary documents under that Transaction Security Document, duly executed and delivered by a person which is required to execute and deliver under that Transaction Security Document, including without limitation:

- (i) Evidence that the Notification Letter under the Pledge of Receivables (Borrower), the Pledge of Receivables (GDS Suzhou) and the Pledge of Receivables (Guarantor) has been duly delivered to all customers under the Service Contracts in relation to each Project existing as of the date of the first Utilization Request (except the Service Contracts under which the relevant customers have been required under that Service Contract to make payments to the Receiving Accounts under the Service Contracts), together with a list of customers to which the Notification Letters have been delivered;
- (ii) Pre-signed but undated Pledge Notices (as defined in the Pledge of Receivables (Borrower), the Pledge of Receivables (GDS Suzhou) and the Pledge of Receivables (Guarantor)) to all customers under the Service Contracts in respect of the Projects as required under the Pledge of Receivables (Borrower), the Pledge of Receivables (GDS Suzhou) and the Pledge of Receivables (Guarantor);
- (iii) Evidence that the Pledge Notices under the Pledge of Receivables (Borrower) have been delivered to GDS Suzhou and the Guarantor in respect of the Back-to-Back Agreements, and GDS Suzhou and the Guarantor has acknowledged such Pledge Notice;
- (iv) A pre-signed but undated Assignment Notice (as defined in the Lease Assignment Agreement) to the Landlord under the Lease Agreements as required under the Lease Assignment Agreement;
- (v) Evidence that the Maintenance Notice (as defined in the Lease Assignment Agreement) has been duly delivered by the Borrower to the Landlord as required under the Lease Assignment Agreement;
- (vi) Evidence that the notices under the Insurance Assignment Agreement (Project SZ1) have been duly delivered by the Borrower to relevant contract counterparties;
- (vii) the certificates of all the stock and shares and documents of title relating to the shares in the Parent held by the Intermediate Parent;
- (viii) pre-signed but undated instrument of transfer and bought and sold notes relating to the shares in the Parent held by the Intermediate Parent;

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- (ix) pre-signed but undated letters of resignation from each director and the secretary of the Parent substantially in the form of schedule 2 (Form of resignation letter) to the Share Mortgage Agreement;
- (x) pre-signed but undated resolution of all the directors of the Parent substantially in the form of schedule 3 (Form of written resolution of directors) to the Share Mortgage Agreement;
- (xi) pre-signed and dated letters of authorisation from each director and the secretary of the Parent substantially in the form of schedule 4 (Form of authorisation letter) to the Share Mortgage Agreement; and
- (xii) Any other ancillary documents required to be delivered and obtained under the Transaction Security Documents before the date of the first Utilisation Request.

3. Legal opinions

- (a) A legal opinion in relation to PRC law from Jun He Law Offices, addressed to the Finance Parties, substantially in the form distributed to the Original Lenders prior to the signing of this Agreement.
- (b) A legal opinion as to Hong Kong law from Allen & Overy addressed to the Finance Parties, substantially in the form distributed to the Original Lenders prior to signing this Agreement.
- (c) A legal opinion in relation to Cayman law from Walkers, addressed to the Finance Parties, substantially in the form distributed to the Original Lenders prior to the signing of this Agreement.

4. Other documents and evidence

- (a) Evidence that any process agent referred to in any Finance Documents has accepted its appointment.
- (b) Evidence that the account receivables pledges under the Pledge of Receivables (Borrower), the Pledge of Receivables (GDS Suzhou) and the Pledge of Receivables (Guarantor) have been registered with PBOC Information Center respectively.
- (c) Evidence that each Project has met the capital ratio requirement under the applicable Governmental Rules.
- (d) A copy of Group Structure Chart.
- (e) A copy of Budget for the Financial Year ending 31 December 2015 as approved by the Facility Agent.
- (f) Evidence that the Loan Disbursement Accounts, each Receiving Account, the Operations Account and the Excess Cashflow Account have been established with the Account Bank.
- (g) Evidence that the Debt Service Reserve Account has been established with the Account Bank and amount standing credit to the Debt Service Reserve Account is not less than the Debt Service Reserve Amount.
- (h) A certified copy of IDC License.
- (i) Original copy of the IDC License Memo.
- (j) Original Financial Statements.

- (k) Certified copies of the Lease Agreements.
- (l) Certified copies of the Contractor Agreements.
- (m) A certified copy of each Back-to-Back Agreement and the GDS Suzhou Trapped Amount Loan Agreement (if any).
- (n) A certified copy of the Business Plan evidencing, among others, (1) the minimum cash balance of the Borrower is not less than USD 10,000,000.00, (2) the minimum DSCR is not less than 125%, and (3) the average DSCR is not less than 130%.
- (o) Evidence that stamp duties payable by the Borrower in respect of the Finance Documents that have been entered into before the first Utilisation Date have been paid in full.
- (p) Evidence that the Transaction Expenses and any other fees, costs or expenses in relation to the Facilities then due from the Borrower under the Finance Documents have been paid in full.
- (q) A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent reasonably considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

Part II

Conditions Precedent to Initial Utilisation for Facility A

- (a) Evidence that USD 20,000,000 has been fully contributed into the Borrower by the Parent which will be used towards the operation of the Project SZ1.
- (b) The Certificate of Completion of Project SZ1.
- (c) A certified copy of valuation report in respect of the movable assets subject to the mortgage under the Movable Assets Mortgage Agreement (Project SZ1) issued by an appraiser acceptable to all Lenders.
- (d) Original policies of Insurances in relation to SZ1 evidencing that the Insurances coverage satisfactory to all Lenders required pursuant to the terms of this Agreement, including, without limitation, copies of certificates of insurance, insured amount is not less than RMB 150,000,000.00, together with evidence of payment of all related premiums, in which, among others, the Security Agent has been named as a loss-payee.

Part III

Conditions Precedent to Initial Utilisation for Facility B

- (a) Evidence that USD 20,000,000 has been fully contributed into the Borrower by the Parent which will be used towards the operation of the Project SZ2.

Part IV

Conditions Precedent to Utilisation of Facility B beyond 60% of the Total Facility B Commitments

- (a) The Certificate of Completion of Project SZ2.
- (b) A certified copy of valuation report in respect of the movable assets subject to the mortgage under the Movable Assets Mortgage Agreement (Project SZ2) issued by an appraiser acceptable to all Lenders and the market value of such movable assets in the valuation report shall not be less than RMB 106,000,000.
- (c) Original policies of Insurances in relation to Project SZ2 evidencing that the Insurances coverage satisfactory to all Lenders required pursuant to the terms of this Agreement, including, without limitation, copies of certificates of insurance, indicating the insured amount shall not be less than the Total Facility B Commitments or the replacement value of Project SZ2, whichever is higher, together with evidence of payment of all related premiums, in which, among others, the Security Agent has been named as a loss-payee.

Part V

Facility C Initial Conditions Precedent

1. Obligor Parties

- (a) A copy of each document set out in paragraphs 1(a) to 1(c) and paragraph 1(f) of Part I (*Conditions precedent to initial Utilisation for all Facilities*) of Schedule 2 (*Conditions precedent and conditions subsequent*) or, if the Facility Agent already has a copy, a certificate of an authorised signatory of the Borrower, the Guarantor, GDS Suzhou or the Parent, as the case may be, confirming that the copy in the Facility Agent's possession is still correct, complete and in full force and effect as at a date no earlier than the date of the Amendment Agreement.
- (b) Certified copies of the following up-to-date constitutional documents of the Ultimate Parent:
 - (i) Certificate of Incorporation;
 - (ii) Memorandum of Association & Articles of Association;
 - (iii) Register of Directors;
 - (iv) Register of Members;
 - (v) Register of Mortgages and Charges; and
 - (vi) Certificate of Good Standing issued by the relevant authority in the Cayman Islands and dated as close to the proposed Facility C Utilisation Date in the Facility C Utilisation Request as possible, but in no event older than seven (7) days than the proposed Facility C Utilisation Date.
- (c) Certified copies of the following up-to-date constitutional documents of the Intermediate Parent:
 - (i) Certificate of Incorporation;
 - (ii) Memorandum of Association & Articles of Association;
 - (iii) Register of Directors;
 - (iv) Register of Members;
 - (v) Register of Mortgages and Charges; and
 - (vi) Certificate of Good Standing issued by the relevant authority in the Cayman Islands and dated as close to the proposed Facility C Utilisation Date in the Facility C Utilisation Request as possible, but in no event older than seven (7) days than the proposed Facility C Utilisation Date.

- (d) A certified copy of a resolution of the board of directors (in the case of the Ultimate Parent, the Intermediate Parent and the Parent) and a resolution of the shareholder (in the case of the Borrower, the Guarantor and GDS Suzhou):
- (i) approving the terms of, and the transactions contemplated by, the Finance Documents to which it is a party and resolving that it execute, deliver and perform the Finance Documents set out in the Section 2 (*Finance Documents*) below to which it is a party;

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- (ii) authorising a specified person or persons to execute the Finance Documents set out in the Section 2 (*Finance Documents*) below to which it is a party on its behalf;
- (iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents set out in the Section 2 (*Finance Documents*) below to which it is a party; and
- (iv) in the case of the Ultimate Parent, resolving that it is in the best interests of that the Ultimate Parent to enter into the transactions contemplated by the Finance Documents set out in the Section 2 (*Finance Documents*) below to which it is a party.
- (e) A specimen of the signature of each person authorised by the resolution referred to in paragraph (d) above.
- (f) A copy of a resolution signed by all the holders of the issued preferred shares in the Ultimate Parent approving the terms of, and the transactions contemplated by the Ultimate Parent Guarantee and certain actions contemplated by the Finance Documents
- (g) A certificate of each Obligor Party (signed by an authorized signatory) confirming that borrowing or guaranteeing or securing, as appropriate, the Total Commitments (as amended by the Amendment Agreement) would not cause any borrowing, guarantee or security or similar limit binding on it to be exceeded.
- (h) A certificate of each Obligor Party (signed by an authorized signatory) certifying that each copy document relating to it specified in this Part V of Schedule 2 is correct, complete and in full force and effect as at a date no earlier than the date of the Amendment Agreement.

2. Finance Documents

- (a) The following Finance Documents, each duly entered into by the parties to it:

- (i) the Amendment Agreement;
- (ii) the Facility C Fee Letters;
- (iii) the Supplemental Account Control Agreement;
- (iv) the Supplemental Pledge of Receivables (Borrower);
- (v) the Supplemental Pledge of Receivables (GDS Suzhou);
- (vi) the Supplemental Pledge of Receivables (Guarantor);
- (vii) the Supplemental Lease Assignment Agreement;
- (viii) the Supplemental Insurance Assignment Agreement (Project SZ1);
- (ix) the Supplemental Subordination Agreement;
- (x) the Supplemental Equity Pledge Agreement;
- (xi) the Supplemental Movable Assets Mortgage Agreement (Project SZ1);
- (xii) the Confirmatory Ultimate Parent Guarantee;

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- (xiii) the Confirmatory Share Mortgage Agreement;
- (xiv) the Amended and Restated Equity Pledge Agreement; and
- (xv) the Amended and Restated Movable Assets Mortgage Agreement (Project SZ1).

- (b) Each of the following documents, in a form mutually acceptable to each of the parties thereto but unsigned:

- (i) the Movable Assets Mortgage Agreement (Project SZ2);
- (ii) the Movable Assets Mortgage Agreement (Project SZ3);
- (iii) the Insurance Assignment Agreement (Project SZ2); and
- (iv) the Insurance Assignment Agreement (Project SZ3).

- (c) To the extent a Transaction Security Document requires, each of ancillary documents under that Transaction Security Document, duly executed and delivered by a person which is required to execute and deliver under that Transaction Security Document, including without limitation:

- (i) Evidence that the Notification Letter under the Supplemental Pledge of Receivables (Borrower), the Supplemental Pledge of Receivables (GDS Suzhou) and the Supplemental Pledge of Receivables (Guarantor) has been duly delivered to all customers under the Service Contracts in relation to the Project SZ3 existing as of the date of the first Facility C Utilization Request (except the Service Contracts under which the relevant customers have been required under that Service Contract to make payments to the Receiving Accounts under the Service Contracts), together with a list of customers to which the Notification Letters have been delivered;
- (ii) Pre-signed but undated Pledge Notices (as defined in the Pledge of Receivables (Borrower), the Pledge of Receivables (GDS Suzhou) and the Pledge of Receivables (Guarantor)) to all customers under the Service Contracts in respect of the Project SZ3 as required under the Supplemental Pledge of Receivables (Borrower), the Supplemental Pledge of Receivables (GDS Suzhou) and the Supplemental Pledge of Receivables (Guarantor);
- (iii) Evidence that the Pledge Notices under the Supplemental Pledge of Receivables (Borrower) have been delivered to GDS Suzhou and the Guarantor in respect of the Back-to-Back Agreement (GDS Suzhou-SZ3) and the Back-to-Back Agreement (Guarantor-SZ3), and GDS Suzhou and the Guarantor has acknowledged such Pledge Notice;
- (iv) A pre-signed but undated Assignment Notice (as defined in the Lease Assignment Agreement) to the Landlord under the Lease Agreement of Project SZ3 as required under the Supplemental Lease Assignment Agreement; and
- (v) Evidence that the Maintenance Notice (as defined in the Lease Assignment Agreement) has been duly delivered by the Borrower to the Landlord in respect of the Project SZ3 as required under the Supplemental Lease Assignment Agreement.

3. Legal opinions

- (a) A legal opinion in relation to PRC law from Jun He Law Offices, addressed to the Finance Parties.
- (b) A legal opinion as to Hong Kong law from Allen & Overy addressed to the Finance Parties.
- (c) A legal opinion in relation to Cayman law from Walkers, addressed to the Finance Parties.

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4. Other documents and evidence

- (a) Evidence that the account receivables pledges under the Supplemental Pledge of Receivables (Borrower), the Supplemental Pledge of Receivables (GDS Suzhou) and the Supplemental Pledge of Receivables (Guarantor) have been registered with PBOC Information Center.
- (b) A certified copy of the updated register of mortgages and charges maintained by the Intermediate Parent reflecting the particulars as required by the Companies Law (as amended) of the Cayman Islands of the security interest created pursuant to the Confirmatory Share Mortgage Agreement.
- (c) Evidence that the Project SZ3 has met the capital ratio requirement under the applicable Governmental Rules.
- (d) A copy of Budget (reflecting the Project SZ3 related figures) for the Financial Year ending 31 December 2016 as approved by the Facility Agent.
- (e) Evidence that the Facility C Loan Disbursement Account has been established with the Account Bank.
- (f) Evidence that the amount standing credit to the Debt Service Reserve Account is not less than the Debt Service Reserve Amount (as amended pursuant to the Amended Facility Agreement).
- (g) Evidence that an amount of USD 11,100,000 has been fully contributed into the Borrower by the Parent as increased capital which will be used towards the operation of the Project SZ3.
- (h) Certified copies of the Lease Agreements in respect of Project SZ3.
- (i) A certified copy of the latest IDC License.
- (j) A certified copy of the Back-to-Back Agreement (GDS Suzhou-SZ3) and the Back-to-Back Agreement (Guarantor-SZ3).
- (k) A certified copy of the updated Business Plan reflecting the projections of Project SZ1, Project SZ2 and Project SZ3 and evidencing, among others, (1) the minimum cash balance of the Borrower is not less than USD 10,000,000.00, (2) the minimum DSCR is not less than 125%, and (3) the average DSCR is not less than 130%.
- (l) Evidence that stamp duties payable by the Borrower in respect of the Amendment Agreement that have been entered into before the first Facility C Utilisation Date have been paid in full.
- (m) Evidence that all fees, costs or expenses in relation to the Facility C then due from the Borrower under the Amended Facility Agreement have been paid in full.
- (n) A copy of any other Authorisation or other document, opinion or assurance which the Facility Agent reasonably considers to be necessary or desirable (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document or for the validity and enforceability of any Finance Document.

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Part VI

CONDITIONS PRECEDENT TO UTILISATION OF FACILITY C BEYOND 70% OF THE TOTAL FACILITY C COMMITMENTS

- (a) The Certificate of Completion of the Project SZ3.
- (b) A certified copy of valuation report in respect of the movable assets subject to the mortgage under the Movable Assets Mortgage Agreement (Project SZ3) issued by an appraiser acceptable to all Lenders and the market value of such movable assets in the valuation report shall not be RMB 50,000,000.
- (c) Original policies of Insurances in relation to the Project SZ3 evidencing that the Insurances coverage satisfactory to all Lenders required pursuant to the terms of this Amended Facility Agreement, including, without limitation, copies of certificates of insurance, indicating the insured amount shall not be less than the Total Facility C Commitments or the replacement value of the Project SZ3, whichever is higher, together with evidence of payment of all related premiums, in which, among others, the Security Agent has been named as a loss-payee.

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Part VII

Conditions Subsequent

1. Notification Letters

Within 60 days after the date of this Agreement, each Obligor (other than the Ultimate Parent) shall, if there is any new Service Contract after the date of the first Utilisation Request, within 7 days upon signing of any new Service Contracts, provide to the Facility Agent with documents evidencing that the Notification Letters have been delivered to all customers under the Service Contracts existing at that time, except for the Service Contracts in which the relevant customers have been required under that Service Contract to make payments under the Service Contracts to the Receiving Accounts.

2. Updated List of Customers

The Borrower, GDS Suzhou and the Guarantor shall,

- (a) on or before the date falling 30 days after the date of this Agreement, provide to the Facility Agent a list of customers who have not agreed to comply with or, have not paid amounts under the Service Contracts into the relevant Receiving Account in accordance with, the Notification Letters which have been delivered to them pursuant to the Finance Documents; and
- (b) on or before the date falling 60 days after the date of this Agreement, provide to the Facility Agent a list of customers who have not agreed to comply with or, have not paid amounts under the Service Contracts into the relevant Receiving Account in accordance with, the Notification Letters which have been delivered to them pursuant to the Finance Documents.

3. Contract Novation

GDS Suzhou and the Guarantor shall, within 6 Months after the date of this Agreement, provide to the Facility Agent documents acceptable to all Lenders evidencing that all obligations and rights of GDS Suzhou under the GDS Suzhou Service Contracts that represent at least 95% Contract Value of all GDS Suzhou Service Contracts have been novated to the Guarantor.

4. Equity Pledge Agreement

The Borrower shall, within 75 days after the date of the Amendment Agreement (or any longer period as agreed by the Security Agent), provide the Facility Agent with the documents evidencing that the Equity Pledge Agreement and the Supplemental Equity Pledge Agreement have been approved by the MOFCOM and registered with the SAIC.

5. Movable assets mortgage of Project SZ1

The Borrower shall, within 120 days after the date of the Amendment Agreement, obtain the approval from Custom in respect of the movable assets mortgage under the Movable Assets Mortgage Agreement (Project SZ1) and complete movable assets mortgage registration under the Movable Assets Mortgage Agreement (Project SZ1) with SAIC, and provide to the Security Agent a certified copy of the Custom approval and an original movable assets mortgage certificate (□□□□□□) or any other original certificates evidencing the completion of movable assets mortgage registration under the Movable Assets Mortgage Agreement (Project SZ1).

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6. Movable assets mortgage of Project SZ2

The Borrower shall:

- (a) within 5 days after the Project SZ2 Completion Date, provide to the Facility Agent the Movable Assets Mortgage Agreement (Project SZ2) duly executed by each party to it;
- (b) within 120 days after the date of Movable Assets Mortgage Agreement (Project SZ2), obtain the approval from Custom in respect of the movable assets mortgage under the Movable Assets Mortgage Agreement (Project SZ2) and complete movable assets mortgage registration under the Movable Assets Mortgage Agreement (Project SZ2) with SAIC, and provide to the Security Agent a certified copy of the Custom approval and an original movable assets mortgage certificate (□□□□□□) or any other original certificates evidencing the completion of movable assets mortgage registration under the Movable Assets Mortgage Agreement (Project SZ2);

- (c) within 5 days after the Project SZ2 Completion Date, provide to the Facility Agent a certified copy of valuation report in respect of the movable assets subject to the mortgage under the Movable Assets Mortgage Agreement (Project SZ2) issued by an appraiser acceptable to all Lenders; and
- (d) within 5 days after the completion of movable assets mortgage registration as required under paragraph (b) above, provide or cause to be provided to the Facility Agent a legal opinion in respect of the execution of the Movable Assets Mortgage Agreement (Project SZ2) and the registration of movable assets mortgage thereunder.

7. Movable assets mortgage of Project SZ3

The Borrower shall:

- (a) within 5 days after the Project SZ3 Completion Date, provide to the Facility Agent the Movable Assets Mortgage Agreement (Project SZ3) duly executed by each party to it;
- (b) within 120 days after the date of Movable Assets Mortgage Agreement (Project SZ3), obtain the approval from Custom in respect of the movable assets mortgage under the Movable Assets Mortgage Agreement (Project SZ3) and complete movable assets mortgage registration under the Movable Assets Mortgage Agreement (Project SZ3) with SAIC, and provide to the Security Agent a certified copy of the Custom approval and an original movable assets mortgage certificate (□□□□□□) or any other original certificates evidencing the completion of movable assets mortgage registration under the Movable Assets Mortgage Agreement (Project SZ3);
- (c) within 5 days after the Project SZ3 Completion Date, provide to the Facility Agent a certified copy of valuation report in respect of the movable assets subject to the mortgage under the Movable Assets Mortgage Agreement (Project SZ3) issued by an appraiser acceptable to all Lenders; and
- (d) within 5 days after the completion of movable assets mortgage registration as required under paragraph (b) above, provide or cause to be provided to the Facility Agent a legal opinion in

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respect of the execution of the Movable Assets Mortgage Agreement (Project SZ3) and the registration of movable assets mortgage thereunder.

8. Insurances of Project SZ2

The Borrower shall within 30 days after the Project SZ2 Completion Date provide to the Facility Agent:

- (a) the Insurance Assignment Agreement (Project SZ2) duly executed by each party to it;
- (b) original policies of Insurances in relation to Project SZ2 evidencing that the Insurances coverage satisfactory to all Lenders required pursuant to the terms of this Agreement, including, without limitation, copies of certificates of insurance, together with evidence of payment of all related premiums, in which, among others, the Security Agent has been named as a loss-payee.

9. Insurances of Project SZ3

The Borrower shall within 30 days after the Project SZ3 Completion Date provide to the Facility Agent:

- (a) the Insurance Assignment Agreement (Project SZ3) duly executed by each party to it;
- (b) original policies of Insurances in relation to Project SZ3 evidencing that the Insurances coverage satisfactory to all Lenders required pursuant to the terms of this Agreement, including, without limitation, copies of certificates of insurance, together with evidence of payment of all related premiums, in which, among others, the Security Agent has been named as a loss-payee.

10. Financial statements

The Borrower shall on or before 31 October 2015, provide or cause to be provided to the Facility Agent an audited consolidated financial statement of the Group for the Financial Year ending 31 December 2014 which has been reviewed and verified by an independent auditor acceptable to all Lenders.

11. VIE Restructuring

The Guarantor and GDS Suzhou shall, within 9 Months after the date of this Agreement:

- (a) complete the VIE Restructuring and provide an updated Group Structure Chart to the Facility Agent;
- (b) provide to the Facility Agent an approval from MIIT on the VIE Equity Transfer and (if applicable) an updated IDC License after the VIE Equity Transfer; and
- (c) provide to the Facility Agent the duly signed New VIE Contracts and documents evidencing the registration of equity pledge under the VIE Equity Pledge (William Huang) and VIE Equity Pledge (Qiuping Huang) has been duly registered with SAIC.

12. Account

Within fourteen (14) days after the date of this Agreement, the Borrower shall provide the Facility Agent the evidence that the Debt Service Accrual Account has been established with the Account Bank.

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13. Capital Verification Report

Within five (5) days after the first Facility C Utilisation Date, the Borrower shall provide the Facility Agent the original capital verification report evidence that an amount of USD 11,100,000 has been fully contributed into the Borrower by the Parent as increased capital.

14. Project SZ3 Contractor Agreement

On or before 20 March 2016, the Borrower shall provide the Facility Agent a certified copy of the Contractor Agreement in respect of the Project SZ3.

15. Inter-company Loan

On or before 31 March 2016, the Borrower shall provide the Facility Agent the evidence that a RMB 23,000,000 inter-company loan has been received by the Borrower from GDS Suzhou under the GDS Suzhou Inter-company Loan Agreement.

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**SCHEDULE 3
UTILISATION REQUEST**

From: □□□□□□□□□□□□ (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.)

To: [Facility Agent]

Dated:

Dear Sirs

□□□□□□□□□□□□ (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.) — RMB 430,000,000 Facility Agreement dated 17 September 2015 as amended and restated by the Amendment Agreement dated 4 March 2016 and further amended and restated on 5 August 2016 (the "Facility Agreement")

1. We refer to the Facility Agreement. This is a Utilisation Request. Terms defined in the Facility Agreement shall have the same meaning in this Utilisation Request.

2. We wish to borrow a Loan on the following terms:

Proposed Utilisation Date: [] (or, if that is not a Business Day, the next Business Day)

Facility to be utilised: [Facility A]/[Facility B]/[Facility C] (*delete if not relevant*)
Currency of Loan: RMB
Amount: [] or, if less, the Available Facility
First Interest Period: []
Loan Disbursement Account: []
Loan purpose: []

3. [For the purpose of the Consigned Disbursement, the proceeds of the Requested Loan should be credited to [the account in name of the applicable payee] through the Loan Disbursement Account.] (*delete if not relevant*)
4. [For the purpose of the Consigned Disbursement, we hereby confirm that we irrevocably and unconditionally authorise the Facility Agent to authorise the Account Bank to debit the Loan Disbursement Account for the transfer of funds in the amounts and to the accounts specified in paragraph 3 above.] (*delete if not relevant*)
5. [For the purpose of the Consigned Disbursement, we enclose with this Utilisation Request the evidence required to be submitted by us pursuant to Clause 5.2 (*Completion of a Utilisation Request*) of the Agreement.] (*delete if not relevant*)

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6. We confirm that each condition specified in Clause 4.3 (*Further conditions precedent*) is satisfied on the date of this Utilisation Request.
7. This Utilisation Request is irrevocable.

Yours faithfully

authorised signatory for
████████████████████ (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.)
(Company Chop)

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SCHEDULE 4 FORM OF TRANSFER CERTIFICATE

To: [] as Facility Agent and [] as Security Agent
From: [*The Existing Lender*] (the "**Existing Lender**") and [*The New Lender*] (the "**New Lender**")
Dated:

████████████████████ (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.) — RMB 430,000,000 Facility Agreement
dated 17 September 2015 as amended and restated by the Amendment Agreement dated 4 March 2016 and further amended and restated on 5 August 2016 (the "**Facility Agreement**")

1. We refer to Clause 26.5 (*Procedure for transfer*) of the Facility Agreement. This is a Transfer Certificate. Terms used in the Facility Agreement shall have the same meaning in this Transfer Certificate.
2. The Existing Lender and the New Lender agree to the Existing Lender transferring to the New Lender by novation, and in accordance with Clause 26.5 (*Procedure for transfer*), all of the Existing Lender's rights and obligations under the Facility Agreement and the other Finance Documents which relate to that portion of the Existing Lender's Commitment(s) and participations in Loans under the Facility Agreement as specified in the Schedule.
3. The proposed Transfer Date is [].
4. The Facility Office and address, fax number and attention particulars for notices of the New Lender for the purposes of Clause 34.2 (*Addresses*) are set out in the Schedule.
5. The New Lender expressly acknowledges:
- (a) the limitations on the Existing Lender's obligations set out in paragraphs (a) and (c) of Clause 26.4 (*Limitation of responsibility of Existing Lenders*); and
- (b) that it is the responsibility of the New Lender to ascertain whether any document is required or any formality or other condition requires to be satisfied to effect or perfect the transfer contemplated by this Transfer Certificate or otherwise to enable the New Lender to enjoy the full benefit of each Finance Document.
6. The New Lender confirms that it is a "New Lender" within the meaning of Clause 26.1 (*Assignments and transfers by the Lenders*).
7. The Existing Lender and the New Lender confirm that the New Lender is not an Obligor or an Affiliate of an Obligor.
8. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.
9. This Transfer Certificate and all obligations arising from or in connection with this Transfer Certificate are governed by PRC law.

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10. This Transfer Certificate has been entered into on the date stated at the beginning of this Transfer Certificate.

Note: The execution of this Transfer Certificate may not transfer a proportionate share of the Existing Lender's interest in the Transaction Security in all jurisdictions. It is the responsibility of the New Lender to ascertain whether any other documents or other formalities are required to perfect a transfer of such a share in the Existing Lender's Transaction Security in any jurisdiction and, if so, to arrange for execution of those documents and completion of those formalities.

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THE SCHEDULE

Commitment/rights and obligations to be transferred, and other particulars

Commitment/participation(s) transferred

Drawn Loan(s) participation(s) amount(s): []
Available Commitment amount: []

Administration particulars:

New Lender's receiving account: []
Address: []
Telephone: []
Facsimile: []

[the Existing Lender]

[the New Lender]

By:

By:

This Transfer Certificate is executed by the Facility Agent and the Transfer Date is confirmed as [].

[the Facility Agent]

By:

Note: It is the New Lender's responsibility to ascertain whether any other document is required, or any formality or other condition is required to be satisfied, to effect or perfect the transfer contemplated in this Transfer Certificate or to give the New Lender full enjoyment of all the Finance Documents.

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**SCHEDULE 5
FORM OF COMPLIANCE CERTIFICATE**

To: [] as Facility Agent

From: ████████████████████ (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.)

Dated:

Dear Sirs

████████████████████ (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.) — RMB 430,000,000 Facility Agreement
dated 17 September 2015 as amended and restated by the Amendment Agreement dated 4 March 2016 and further amended and restated on 5 August 2016 (the "Facility Agreement")

1. We refer to the Facility Agreement. This is a Compliance Certificate. Terms used in the Facility Agreement shall have the same meaning in this Compliance Certificate.

2. We confirm that:

- (a) in respect of the Relevant Period ending on [], Cashflow for the Relevant Period was [] and Debt Service for the Relevant Period was []. Therefore the DSCR for such Relevant Period was []:1 and the financial covenant contained in paragraph (a) of *Clause 22.2 (Financial conditions)* [has/has not] been complied with.
- (b) on the last day of the Relevant Period ending on [], Total Debt was [] and EBITDA for such Relevant Period was []. Therefore the Gross Leverage Ratio for such Relevant Period was []:1 and the financial covenant contained in paragraph (b) of *Clause 22.2 (Financial conditions)* [has/has not] been complied with.
- (c) on the last day of the Relevant Period ending on [], Total Net Debt was [] and Contributed Equity on such day was []. Therefore the DER for such Relevant Period was []:1 and the financial covenant contained in paragraph (c) of *Clause 22.2 (Financial conditions)* [has/has not] been complied with.
- (d) in respect of the Relevant Period ending on [], Cashflow for such Relevant Period was [] and Net Finance Charges for such Relevant Period were []. Therefore the ICR for such Relevant Period was []:1 and the financial covenant contained in paragraph (d) of *Clause 22.2 (Financial conditions)* [has/has not] been complied with.
- (e) [Capital Expenditure of [Project SZ1]/[Project SZ2]/[Project SZ3] for the Financial Year of the Borrower ending on [] was [], therefore Capital Expenditure of [Project SZ1]/[Project SZ2]/[Project SZ3] during such Financial Year [was/was not] in excess of [] and the covenant contained in paragraph (e) of *Clause 22.2 (Financial covenants)* [has/has not] been complied with.]

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(f) [Excess Cashflow for the Financial Year of the Borrower ending [] was [], therefore the Excess Cashflow to be applied in prepayment pursuant to Clause 8.6 (*Excess Cashflow*) will be [].]

(g) on the last day of the Relevant Period ending on [], Total Net Debt was [] and EBITDA for such Relevant Period was []. Therefore the Leverage Ratio for such Relevant Period was []:1.

3. [We confirm that no Default is continuing.]*

4. [We refer to Clause [] (For the avoidance of doubt, no Flotation may occur in respect of any member of the Group). We confirm amount of [Disposal Proceeds]/[Insurance Proceeds]/[Compensation] is []. We confirm that the amount of [Excluded Disposal Proceeds]/[Excluded Insurance Proceeds] is [], and that the specific purpose for which it was intended to be used is []. We confirm that such amount of [Excluded Disposal Proceeds]/[Excluded Insurance Proceeds] has been used for that specific purpose and within the applicable period in the manner contemplated by this Agreement.]

Signed:

Authorized Signatory
of
[Company]

* If this statement cannot be made, the certificate should identify any Default that is continuing and the steps, if any, being taken to remedy it.

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**SCHEDULE 6
FORM OF ACCESSION LETTER**

To: [] as Facility Agent and [] as Security Agent

From: [Hedging Providers]

Dated:

Dear Sirs

████████████████████ (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.) — RMB 430,000,000 Facility Agreement
dated 17 September 2015 as amended and restated by the Amendment Agreement dated 4 March 2016 and further amended and restated on 5 August 2016 (the "Facility Agreement")

1. We refer to the Facility Agreement. This is an Accession Letter. Terms defined in the Facility Agreement have the same meaning in this Accession Letter unless given a different meaning in this Accession Letter.

2. We, [name of new Hedging Provider] of [address/registered office], agree to become a Hedging Provider under the Facility Agreement and to be bound by the terms of the Agreement as a Hedging Provider. We are a company duly incorporated under the laws of [name of relevant jurisdiction].

3. [Hedging Provider's] administrative details are as follows:

Address:

Fax No:

Attention:

Telephone No:

4. This Accession Letter, and all obligations arising from or in connection with this Accession Letter are governed by PRC law.

[Hedging Provider]

By: _____

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SCHEDULE 7 INSURANCES

1. Insurance Requirements

Unless each Lender otherwise agrees, the Borrower (or any person on its behalf) shall, to the extent such insurances are available on commercially reasonable terms:

- (a) insure and keep insured, with financially sound and reputable insurers and reinsurers approved by each Lender, all its assets and business which can be insured against all insurable losses to include, without limitation, the insurances specified in this Schedule 7 (*Insurances*);
- (b) promptly following the receipt of a notice by any Lender or the Facility Agent from time to time, obtain such additional insurance coverage of risks or liabilities that are not specified in this Schedule 7 (*Insurances*) as would from time to time be obtained by a prudent internet data center company which does not self-insure and which shall be in such amounts and with such deductibles as are specified in that notice;
- (c) promptly following the receipt of a notice by the Lenders or the Facility Agent from time to time, obtain such additional insurance(s) or make such modifications to the terms, conditions, amounts or deductibles of any insurance policy required pursuant to paragraphs 1(a) and 1(b) above as the Facility Agent may reasonably determine and specify in that notice to be necessary so as to cover any material change in the identified risk exposure of the Borrower, its business or assets; and
- (d) promptly following the receipt of a notice by the Facility Agent from time to time pursuant to the terms of proviso (i) of this paragraph 1, make such modifications to the amounts and deductibles of any insurance policy required to be obtained under this Agreement as the Facility Agent specifies in that notice to take account of inflationary and other relevant factors,

provided always that:

- (i) the Facility Agent (acting reasonably) shall be entitled from time to time to review, in consultation with the Borrower, the monetary limits and deductibles of each policy required to be obtained under this Agreement, such review not to be conducted more frequently than once every calendar year with respect to each policy; and
- (ii) if at any time and for any reason any insurance required to be maintained under this Agreement shall not be in full force and effect or otherwise the Borrower fails to comply with any of the requirements in this paragraph 1, the Facility Agent (acting reasonably) shall thereupon, or at any time while the same is continuing, be entitled (but have no such obligation) on behalf of the Lenders to procure such insurance or, as the case may be, the fulfilment of the relevant requirement at the expense of the Borrower and to take all such steps to minimise hazard as the Facility Agent may consider expedient or necessary.

2. Insurance Provisions

Each insurance policy required to be obtained pursuant to paragraph 1 above shall be on terms and conditions acceptable to the Facility Agent (acting reasonably) and, to the extent it is commercially viable, contain cut-through provisions, where required, together with provisions to the effect that:

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- (a) no policy can expire or be cancelled or suspended by the Borrower, or the insurer for any reason (including failure to renew the policy or to pay the premium or any other amount) unless the Facility Agent and, in the case of expiration or if cancellation or suspension is initiated by the insurer, the Borrower receives at least 45 days' notice (or such lesser period as the Facility Agent may agree with respect to cancellation, suspension or termination in the event of war and kindred peril) prior to the effective date of termination, cancellation or suspension;
- (b) the Security Agent (on behalf of the Secured Parties) is named as additional insured party on all liability policies;
- (c) where relevant, all its provisions (except those relating to limits of liability) shall operate as if they were a separate policy covering each insured party;
- (d) on every insurance policy on the Borrower's assets which are the subject of the security granted pursuant to the Transaction Security Documents and on every insurance policy for business interruption, the Security Agent (on behalf of the Secured Parties) is named as loss payee;
- (e) where relevant, the insurers waive all rights of recourse or subrogation, howsoever arising, against the Borrower; and
- (f) all provisions of each insurance policy conferring any right, protection or benefit to the Secured Parties (including, without limitation, loss payee and additional named insured provisions, notice requirements, etc.) shall at all times remain in full force and in effect notwithstanding any act or failure to act on the part of the Borrower, its respective agents or employees or on the part of its respective contractors or subcontractors,

provided that none of the policies required pursuant to paragraph 1 above shall include any provision for self-insurance or any self-insured retention except to the extent of the deductibles specified in this Schedule 7 (*Insurances*) or as each Lender otherwise approves from time to time.

3. Borrower's Undertakings

The Borrower shall (and shall procure that any other person will, in respect of insurance policies maintains by such other person on behalf of the Borrower):

- (a) punctually pay any premium, commission and any other amounts necessary for effecting and maintaining in force each insurance policy;
- (b) promptly notify the relevant insurer of any event entitling the Borrower to make a claim under any policy written by that insurer and diligently pursue that claim;
- (c) comply with all warranties under each policy of insurance;
- (d) not do or omit to do, or permit to be done or not done, anything which might:
 - (i) render any insurance policy, or any provision of that policy, obtained pursuant to this Schedule 7 (*Insurances*) void or voidable or lead to its suspension or impair or defeat any such policy in whole or in part; or
 - (ii) prejudice the Borrower's or, where the Security Agent is a loss payee or an additional named insured, the Security Agent's right to claim or recover under any insurance policy;

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- (e) not vary, rescind, terminate, cancel or cause a material change to any insurance policy;
- (f) procure that each insurer under all insurance policies obtained pursuant to paragraph 1 above:
 - (i) is promptly notified of the security interests, created in favour of the Secured Parties pursuant to the Transaction Security Documents in the Borrower's title to, and rights, interest and benefits under, such policies;
 - (ii) (A) notes on each such policy, in form and substance satisfactory to each Secured Party, the Secured Parties' interest in that policy pursuant to the Transaction Security Documents and (B) deposits each such policy with its brokers;
 - (iii) together with the relevant brokers, notifies the Secured Parties of the issuance of any notice of cancellation or suspension or modification of the relevant policy and of any fact of which they become aware that could affect the coverage under that policy; and

(iv) acknowledges that the Secured Parties, as beneficiaries under the relevant policy and the Transaction Security Documents, are not liable to the insurers or reinsurers for the payment of any insurance or reinsurance premiums nor for any other obligations of the Borrower;

(g) use its best efforts to ascertain that payments of reinsurance, if any, premiums under reinsurance policies of insurances required to be maintained by the Borrower pursuant to paragraph 1 above are paid in a timely manner and promptly inform the Security Agent when it becomes aware that any such premiums have not been paid.

4. Application of Proceeds

- (a) The Borrower shall cause all proceeds from an Insurance claim (other than the Excluded Insurance Proceeds) to be directly applied towards the prepayment of the Loans in accordance with Clause 8.5 (Insurance proceeds) of this Agreement;
- (b) If the proceeds from an Insurance claim received by or payable to the Borrower is RMB 10,000,000 or less, such proceeds shall constitute the Excluded Insurance Proceeds, and shall be applied towards the replacement, reinstatement and/or repair of the assets or otherwise in amelioration of the loss in respect of which the relevant insurance claim was made within 6 months after receipt.

5. Reporting Requirements

Unless the Facility Agent otherwise agrees, the Borrower shall (and shall procure that any other person will, in respect of insurance policies maintains by such other person on behalf of the Borrower) provide to the Facility Agent the following:

- (a) as soon as possible after its occurrence, notice of any event which entitles the Borrower to claim under any one or more insurance policies;
- (b) within 30 days after any insurance policy is issued to the Borrower, a copy of that policy incorporating any loss payee provisions required under paragraph 2(d) above;
- (c) within 30 days after any notice has been given by the Facility Agent to the Borrower pursuant to paragraph 1(c) and paragraph 1(d) above, a copy of any additional insurance obtained, or modification of any existing policy made, pursuant to that notice;

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- (d) not less than ten Business Days prior to the expiry date of any insurance policy (or, for insurance with multiple renewal dates, not less than ten Business Days prior to the expiry date of the policy on the principal asset), a certificate of renewal from the insurer, insurance broker or agent confirming the renewal of that policy and the renewal period, the premium, the amounts insured for each asset or item and any changes in terms or conditions from the policy's issue date or last renewal, and confirmation from the insurer that provisions naming the Security Agent (on behalf of the Secured Parties) as loss payee or additional named insured, as applicable remain in effect;
- (e) such evidence of premium payment as the Facility Agent may from time to time request;
- (f) any cancellation, written notice of threatened or potential cancellation or material change in the terms, coverage or amounts of any insurance policy required to be maintained pursuant to this Schedule 7 (Insurances); and
- (g) any other information or documents on each insurance policy as the Facility Agent reasonably requests from time to time.

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**SCHEDULE 8
LIST OF EXISTING ACCOUNTS**

No.	Account No.	Account Opening Bank	Targeted Timeline for Closure of the Existing Accounts	Status (as the date of the Amendment Agreement)
1.	41010900040025925	Agricultural Bank of China, North Renmin RD Branch (Shenzhen)	N/A	N/A
2.	41010900040025974	Agricultural Bank of China, North Renmin RD Branch (Shenzhen)	Within 3 Months after the date of this Agreement	Closed
3.	4000025319200465971	Industrial & Commercial Bank of China, Chegongmiao Branch (Shenzhen)	Within 3 Months after the date of this Agreement	Closed
4.	4000025329200466034	Industrial & Commercial Bank of China, Chegongmiao Branch (Shenzhen)	Within 3 Months after the date of this Agreement	Closed
5.	7441010182600361573	China CITIC Bank, Shenzhen Branch	On or before 15 April 2016	To be closed
6.	7441011482600035387	China CITIC Bank, Shenzhen Branch	Within 6 Months after the date of this Agreement	Closed
7.	32001617160052508842	China Construction Bank, Luoshe Branch (Wuxi)	On or before 30 June 2016	To be closed
8.	70010122002036663	Ningbo Bank, Shanghai Branch	Within 3 Months after the date of this Agreement	Closed

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**SCHEDULE 9
LIST OF EXISTING DEFERRED PAYMENT**

Vendor Name	Contract Content	Financing Amount (RMB)	Ending Day	Status(as the date of the Amendment Agreement)
Project SZ 1				
████████████████████	██████	1,240,020.00	2016/11/30	Paid
████(██)██████████	PDU 2F*3F	1,330,000	2015/11/22	Paid
████(██)██████████	PDU 2F*3F ██████2█	112,610	2015/11/22	Paid
████(██)██████████	2F&3F██████████	2,812,296	2015/12/22	Paid
████(██)██████████	4F&6F████	6,880,000	2016/9/21	Paid
████(██)██████████	4F&6F UPS████	6,268,328	2016/4/4	To be paid
████(██)██████████	UPS-████15█	8,493,682	2015/9/23	Paid
████████████████████	██████	23,265,000.00	2019/1/30	Paid
████████████████████	██████	15,264,000.00	2019/6/29	Paid
Project SZ 2				
██████████████	████████████████████	100,000,000.00	2017/7/31	To be paid
Total		165,665,936.69		

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SIGNATORIES

Borrower

████████████████████ (SHENZHEN YUNGANG EDC TECHNOLOGY CO., LTD.)

By: _____

GDS_Second Amended Facility Agreement
Signature Page

Ultimate Parent

GDS HOLDINGS LIMITED

By: _____

GDS_Second Amended Facility Agreement
Signature Page

GDS Suzhou

GLOBAL DATA SOLUTIONS CO., LTD.)

By: _____

GDS_Second Amended Facility Agreement
Signature Page

Guarantor

BEIJING WANGUO CHANGAN TECHNOLOGY CO., LTD.)

By: _____

GDS_Second Amended Facility Agreement
Signature Page

Mandated Lead Arranger

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK (CHINA) LIMITED)

By: _____

GDS_Second Amended Facility Agreement
Signature Page

Mandated Lead Arranger

UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)

By: _____

GDS_Second Amended Facility Agreement
Signature Page

Account Bank

UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)

By: _____

GDS_Second Amended Facility Agreement
Signature Page

Facility Agent

UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)

By: _____

GDS_Second Amended Facility Agreement
Signature Page

Security Agent

UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)

By: _____

GDS_Second Amended Facility Agreement
Signature Page

Original Lender

Credit Agricole Corporate and Investment Bank (China) Limited Shanghai Branch)

By: _____

Original Lender

□□□□(□□)□□□□□□□□ (UNITED OVERSEAS BANK (CHINA) LIMITED, SHENZHEN BRANCH)

By: _____

Customer's No.:

GDS' No.:

Data Center Outsourcing Service Agreement

By and between

[Customer]

And

BEIJING WANGUO CHANG'AN SCIENCE & TECHNOLOGY CO., LTD
北京万国长安科学技术有限公司

Date: [] China

Customer's No.:

GDS' No.:

Data Center Outsourcing Service Agreement

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Data Center Outsourcing Service Agreement

This Data Center Outsourcing Service Agreement ("Agreement") is made and entered into in [PLACE], China, as of the date [DD MM YY], by and between the parties as follows:

The parties:

1. [COMPANY NAME] ("Customer")
2. BEIJING WANGUO CHANG'AN SCIENCE & TECHNOLOGY CO., LTD 北京万国长安科学技术有限公司 ("GDS")

Whereas, Customer needs data center to operate company information system, and desires to engage the data center outsourcing service of GDS; and

Whereas, GDS has the capacity and resources to provide data center outsourcing service desired by Customer.

THEREFORE, for and in consideration of the agreements set forth below, the Customer and GDS agree as follows:

1. Term of Agreement

- 1.1 This Agreement shall come into effect from the date of the execution by the last one of the parties. The term of Agreement ("Term") shall be [] years, commencing from [DD MM YY] and terminating on [DD MM YY]. The parties shall start negotiations on the extension 60 (sixty) days prior to the expiration date, if the parties cannot reach a consensus, the term shall expire automatically on the expiration date.
- 1.2 Either party shall, subject to Clause 16, be entitled to terminate this Agreement at any time prior to expiration date.

2. Terms and Service Levels

- 2.1 GDS shall provide the services outlined in Appendix 1 "Service of Work" ("SOW") pursuant to the service level specified in Appendix 2 "Service Level Agreement" ("SLA").

- 2.2 GDS shall exercise due diligence, perform and manage the service in a professional and skillful way.

2.3 GDS shall provide specialized personnel with adequate competence to render service to meet the specified service levels.

2.4 GDS constitutes a breach of agreement only if GDS fails to provide the service stipulated in SLA due to GDS' reasons. In this case, GDS shall conduct an investigation promptly and take all proper measures to prevent the breach occurring again. Besides, GDS shall render a written report on the breach with the corresponding solutions to Customer every week.

2.5 GDS shall not be liable for the breach of this Agreement if GDS fails to perform the Agreement as required(including fail to render service specified in SLA) as a result of:

- Customer fails to fulfill the duties of this Agreement, which are prerequisites for GDS to perform the relevant obligations.
- Acts of any person from Customer, unless otherwise instructed by GDS.
- The malfunction or incorrect operation of equipment owned by Customer, unless otherwise caused by GDS. The equipment owned by Customer hereby refers to "The Equipment List" as well as the equipment added by Customer from time to time during the term.
- Any malfunction of Customer's software or third party's software used by Customer, unless otherwise caused by GDS.
- Force majeure.

If GDS fails to perform the obligations as a result of the above reasons, GDS still needs to take necessary and appropriate measures, to the extent possible, to fulfill the duties.

3. Price and Payment

3.1 Price-The total price of this Agreement for []-year service is RMB [] (SAY RMB [] ONLY).

3.2 The price details and payment methods for this Agreement refer to the Appendix 3.

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4. Report

GDS shall provide the service report specified in SOW of Appendix 1 for Customer.

5. Data Center Security and Management

5.1 In order to supervise GDS' service, the representative of Customer can visit the data center located in [] provided Customer gives 1 (one) business day written notice in advance.

5.2 To any employee from Customer (including Customer's representative and any other aid workers) who does not abide by the informed reasonable safety or security rules or regulations or any reasonable requirements, GDS may refuse its visit to the data center.

5.3 At the request of GDS, Customer shall inform GDS of the identity of the person who is performing the above duties without delay.

6. Change Control

6.1 If Customer wishes to change the services during the term of this Agreement, Customer shall issue a request to GDS. GDS shall submit a statement about the influence on GDS arising from the proposed service change and make an offer for cost change (if any) within 10 (ten) working days after receipt of Customer's request. If the request is infeasible, GDS shall make an explanation to Customer in the statement to clarify the reasons.

6.2 If GDS wishes to change the services during the term of this Agreement, GDS shall issue a request to Customer, including a statement about the influence on GDS arising from the proposed change and the offer for cost change (if any).

6.3 After receipt of the statement specified in Clause 6.1 and 6.2, Customer can,

- 1) Object the statement and/or the offer;
- 2) Accept the statement and/or the offer and confirm the change to any service as well as the corresponding change to SLA and/or fees; or
- 3) Terminate or refuse the request for service change.

6.4 The request for service change will be deemed to be refused if Customer does not give any response within 20 (twenty) working days after receipt of the request set in Clause 6.2 from GDS.

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6.5 If Customer files a challenge to the statement and/or the offer on the grounds of the regulations set in Clause 6.3, the parties shall conduct consultations based on the principle of good faith. Customer can accept or refuse GDS' statement and/or offer according to the final negotiated outcome.

6.6 Any reasonable fees borne by GDS arising from the Customer's request of service change shall be paid to GDS by Customer within 10 (ten) working days after receipt of the concerning invoice, unless otherwise agreed by the parties.

7. Management

7.1 Unless otherwise informed by one party, for this Agreement, the representative of each party shall be regarded as the contact person of this party, and each party shall provide all address information for receiving notice to the designated person of the other party according to this provision.

7.2 The parties shall authorize their representatives to:

- a) Perform the party's obligations hereunder on behalf of the party;
- b) Act on behalf of the party to handle all matters hereof;
- c) Send and receive notifications according to the Agreement;
- d) Exercise the rights and give approval according to the Agreement.

7.3 If one party wishes to change the designated representative listed in Clause 7.1, the party shall notify the other party in writing at least 5 (five) working days in advance. Then, both parties can meet each other to discuss their opinions on the proposed substitute person.

8. Customer's Responsibility

8.1 Customer shall:

- 1) Provide necessary help and assistance with the spirit of cooperation for GDS to perform the service, as long as the help and assistance are connected with Customer's obligations hereunder;
- 2) Ensure all approval and permission for the business entrusted by Customer have been obtained and remain effective during the term of this Agreement;

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3) Ensure all license, permission and approval for operating Customer's equipment required by law have been obtained and will remain effective during the term of this Agreement;

4) At its sole cost and risk, undertake the disassembling of the equipment from its original location and packing, transportation and installation of the same in GDS' data center (GDS shall provide reasonable assistance);

5) Procure insurance in accordance with business practice with respect to all Customers' equipment trusted and kept in GDS' data center, and ensure such insurance policies will remain in effect during the term of this Agreement.

9. GDS' Responsibility

9.1 GDS shall:

- 1) Provide Customer with high-quality data center outsourcing service according to this Agreement to satisfy Customer's normal business requirements
- 2) Safeguard and maintain the equipment trusted and kept in GDS' data center by Customer. GDS shall be liable for the damages to Customer's equipment caused by GDS' equipment defect or GDS' improper operation or maintenance;
- 3) Ensure Customer's equipment can operate well. If any fault or problem is found in the operation process, GDS shall notify Customer without delay and assist Customer to remove the faults timely;
- 4) Take all justifiable measures to prevent GDS' creditor from claiming any right to Customer's equipment.

10. Guarantees

10.1 Each party hereby guarantees to the other party that as of the effective date as follows :

- 1) The execution and delivery of this Agreement have been duly and effectively authorized;
- 2) Each Party has all legal capacity, power and authority to execute, deliver and perform its obligations hereunder;

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- 3) This Agreement does not and will not violate any substantive provisions or regulations of the articles, laws or provisions for or binding upon the parties, nor will it lead to or constitute a breach of the preceding normative documents;
- 4) No filed, pending or potential litigation, claim, procedure or investigation will have a substantial impact against the object hereof.
- 5) To fulfill the obligations hereunder, each party has obtained all permits, authorization, consent, permission and approval required by relevant laws and legislations, or conformed with all provisions of laws and regulations applied to these obligations.

11. Intellectual Property

11.1 The parties confirm and agree that:

- 1) All intellectual property rights of the software owned by Customer or authorized to Customer for use by a third party will remain in full force and effect during the term of this Agreement.
- 2) All intellectual property rights of the software owned by GDS or authorized to GDS for use will remain in full force and effect during the term of this Agreement.
- 3) Customer owns all intellectual property rights on Customer's updated or modified software arising from the use of GDS' services.
- 4) Customer or a third party owns all intellectual property rights of Customer's data.

11.2 Either party shall not infringe any legitimate rights, qualifications or interests contained in each other's intellectual property rights in any way.

11.3 No provision hereunder shall be interpreted or construed that one party transfers its own or third party's intellectual property rights to the other party.

11.4 All terms and conditions under Clause 11 shall remain in force and effect after the expiration or termination of this Agreement.

12. Infringement of Intellectual Property and Compensation

12.1 Customer shall indemnify, defend and hold harmless GDS from and against any damages, liabilities, costs and expenses (including reasonable attorneys' fees

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and expenses) arising out of, or relating to any civil, criminal, administrative, arbitral or investigative action, suit or proceeding alleged by any third party against GDS in connection with the use of any software, equipment (whether the same is owned or leased by Customer), information, materials and/or any other resources owned or provided by Customer in GDS' data center.

12.2 GDS shall indemnify, defend and hold harmless Customer from and against any damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) arising out of, or relating to any civil, criminal, administrative, arbitral or investigative action, suit or proceeding alleged by any third party against Customer in connection with the use of any software, equipment (whether the same is owned or leased by Customer), information, materials and/or any other resources owned or provided by GDS, unless otherwise provided by GDS in accordance with Customer's instructions or recommendations.

13. Liability for Indemnity and Liability for Breach

13.1 Liability for Indemnity

- 1) Indemnity for personal injury and property damage—Each party should indemnify the other party for personal injury to any person or losses of any property (excluding the following compensation for infringement) arising out of wilful act or gross negligence of such party during the period of providing or accepting service
- 2) GDS' Indemnity for Infringement—In the event that any other third party claims indemnity for infringement against Customer (no matter claimed as the main or secondary infringer) as result of using the software according to the Agreement or acquiring software owned or provided by GDS, GDS shall indemnify Customer for the losses or damages caused by the third party's claim for infringement indemnity, including the indemnity amount paid to the third party by Customer or reasonable legal costs affirmed by a final and unappealable court judgment or verdict.
- 3) Customer's indemnity for infringement—In the event that any other third party claims indemnity for infringement against GDS (no matter claimed as the main or secondary infringer) as a result of using the software

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according to the Agreement or acquiring software owned or provided by Customer or storing or processing or using data or information or other materials provided by Customer, Customer shall indemnify GDS for the losses or damages caused by the third party's claim for infringement indemnity, including the indemnity amount paid to the third party by GDS or reasonable legal costs affirmed by a final and unappealable court judgment or verdict.

- 4) As for infringement indemnity described in this Clause, the indemnitor shall be given notice timely and granted full rights of defense and reconciliation on liability of indemnity.

13.2 Liability

- 1) Each party shall indemnify the other party any direct losses or damages arising out of or in relation to indemnitor's breach of any term of this Agreement.
- 2) The direct losses or damages in this Clause shall not include: i) the party's loss of business, loss of profits, loss of sales revenues or loss of goodwill resulted from the other's breach, no matter existing or anticipated, and ii) any direct losses and additional damages caused by the party who should but fail to take reasonable remedial measures to mitigate the losses after the other's breach.
- 3) In the event that Customer terminates the Agreement prior to the expiration of the Agreement (apart from Clause 16), Customer shall give GDS a written notice 3 (three) months in advance and shall pay GDS a termination fee in an amount equal to 100% of the remaining total contract amount.

Both parties shall settle the service fees and relevant expenses at the time of the termination. When Customer terminates the Agreement in advance, it shall pay GDS for the services already completed (including the fees for one-time set-up charge, the initial costs invested by GDS and the fees for the service already provided up to the date of termination). GDS shall refund Customer the fees which have been paid but without service provided.

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4) If either party delays in payment, the party shall pay the other party 0.5% of the sum payable per day from the first day of such breach to the date of payment fully received by the other party.

13.3 Limitation of liability

The limitation of liability—the maximum aggregate limitation of liability of either party hereunder (regardless of indemnity caused by default, tort, or any other form) shall not exceed the aggregate amount equal to one month' service fee.

The aggregate limitation of liability above shall not be applicable to the following claims:

- 1) The liability of indemnity provided by Clause 13.1;
- 2) Any payment obligations hereunder;
- 3) One party violates the duties of confidentiality specified by Clause 15;
- 4) The willful act or gross negligence of one party.

13.4 Consequential damages

In no event shall any party be responsible for any consequential damages suffered by the other party arising in providing or accepting the services hereunder, no matter whether the consequential damages can be reasonably foreseen or not when the Agreement comes into force.

14. Data of Customer

14.1 Nothing in this Agreement is aimed to grant GDS intellectual property rights or any other rights for the data of Customer.

14.2 GDS undertakes to comply with all the laws and regulations relating to the storage and use of Customer's data, including but not limited to the requirement of keeping confidentiality and protecting individual privacy, and comply with any other published, effective and applicable laws and regulations required at any time by Customer in writing.

14.3 Subject to Clause 15.1 e), GDS may disclose Customer's data within the limitation of the order, requirement or judgment issued by duly authorized law enforcement official or governmental representative or official, or the final and unappealable court judgment; provided that GDS shall notify such officials or their agents, the related governmental institution or the court of the

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confidentiality of Customer's data and notify Customer with respect of the aforesaid.

15. Confidentiality

15.1 Both parties acknowledge and agree that:

- a) All confidential information of the disclosing party shall remain as its sole and exclusive property.
- b) Each party shall receive the other party's confidential information with the state of confidentiality. Its employees who access the confidential information shall be limited to those authorized ones who have an absolute need to know the confidential information in order to perform the obligations hereunder. Furthermore, the authorized employees shall be informed with the confidentiality and ownership of such information.
- c) Unless otherwise pursuant to Clause 14.3 or with special written consent of the disclosing party, neither party shall or shall authorize any others to disclose, expose or divulge any confidential information of the disclosing party. For the avoidance of doubt, Customer's express authorization on the disclosure of such information shall be limited only to other operators for the purpose of providing service.
- d) One party can only utilize the other party's confidential information for the purpose of performing the obligations hereunder and other purposes permitted by written agreement signed by both parties.
- e) In the event that one party receives any requirement from any third party or entity in respect of disclosing any confidential information (no matter it is in the form of subpoenas or orders issued by a court with jurisdiction or any other governmental department or other forms), and the disclosure of the confidential information is in compliance with the requirements of the applicable law, statute or Stock Exchange regulations, the party may disclose such information but shall be subject to the two conditions below: 1) the required disclosing party shall notify this requirement to the other party before disclosure; 2) the required disclosing party shall endeavor to apply for a protection order or seek for other credible

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guarantee to ensure the confidential information to be disclosed will be treated as confidentiality.

- f) The duty of confidentiality for the confidential information shall survive the termination of this Agreement.
- g) No provision herein shall be construed as approval or permission to make, utilize or sell the confidential information or products derived from such confidential information.

15.2 Insofar as it is within the scope of responsibility of GDS' authorized employees, GDS may disclose Customer's confidential information to its authorized employees (and permit its authorized employees to access to such information), provided that GDS shall ensure everyone to be disclosed:

- a) Has been informed of GDS' duty of confidentiality;
- b) Will abide by these obligations just as they are bound.

15.3 Insofar as it is within the scope of responsibility of Customer's authorized employees, Customer may disclose GDS' confidential information to its authorized employees (and permit its authorized employees to access to such information), provided that Customer shall ensure everyone to be disclosed:

- a) Has been informed of Customer's duty of confidentiality;
- b) Will abide by these obligations just as they are bound.

15.4 Neither party shall disclose any confidential information of the disclosing party to any other persons, except as disclosed to employees or counselors who need to know the information as per their duties.

16. Termination

16.1 GDS may terminate this Agreement through notice to Customer in writing under the following conditions:

- a) Customer commits a material breach or default in any of the terms or conditions hereof and fails to remedy the breach or default within 20 (twenty) working days after receipt of written notice of that breach from GDS;
- b) Customer is subject to bankruptcy restrictions;
- c) Customer fails to pay GDS and the total outstanding amount exceeds one-month service fee.

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16.2 Customer may terminate this Agreement through notice to GDS in writing under the following conditions:

- a) GDS commits a material breach or default in any terms or conditions hereof and fails to remedy the breach or the default within 20 (twenty) working days after receipt of written notice of that breach from Customer;
- b) GDS is subject to bankruptcy restrictions;
- c) GDS breaches the duty of confidentiality specified in Clause 14 and Clause 15, whereupon Customer may terminate the Agreement forthwith.

17. Consequence of Termination or Expiration

- 17.1 Termination of this Agreement shall not affect or prejudice any other rights incurred prior to the date of termination or the right to take remedial measures.
- 17.2 Except for the termination specified in Clause 16.1 b) or 16.1 c) hereof, upon the termination of this Agreement, Customer may require GDS to provide reasonable assistance to change the service provider from GDS to Customer itself or to its designated third-party provider. Customer shall compensate GDS all of the reasonable costs and expenses resulted from providing assistance by GDS.
- 17.3 Clause 10, 11, 12, 13, 15, 17, 18 and 21, which by their nature are intended to survive the termination or expiration of this Agreement, shall remain in full force and effect after the expiration or termination of this Agreement.
- 17.4 In the event that transfer is in need upon the termination of this Agreement, GDS shall accomplish all necessary work reasonably required by Customer after the date of termination and transfer Customer's equipment, data and system to Customer. Customer may take these over on its own or through its designated third party. Risks associated with Customer's equipment, data and system shall be transferred to Customer upon the transfer from GDS to Customer (or the third provider designated by Customer). The transfer shall be conducted in the data center of GDS.

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18. Settlement of Disputes

- 18.1 Before resorting to external dispute settlement authorities for a solution, the parties shall endeavor to resolve disputes arising from this Agreement through friendly consultations, except as resorted to urgent or temporary relief by one party.
- 18.2 Where the parties fail to reach an agreement on the dispute through negotiations, either party is entitled to submit such dispute to [name of Arbitration Commission] in accordance with arbitration rules then in force. The arbitral award shall be final and binding upon both parties.

19. Relationships

- 19.1 Nothing in this Agreement shall constitute or be deemed to constitute employer-employee relationship, principal-agent relationship, partnership, joint venture relationship or any other combined relationship through which one party shall be responsible for the act or omission of the other party.
- 19.2 Neither party shall have the right to:
- Bind the other party by this Agreement or laws unless otherwise provided herein; or
 - Represent the other party for foreseeable definite purposes not specified herein.

20. Audit

- 20.1 Providing convenience
- Both parties agree to facilitate and assist with the other party's audits (including external audits);
 - GDS agrees to provide all files, books and any other necessary information relating to this Agreement for Customer to conduct audits and reasonably evaluate the contract performance of GDS. GDS agrees that the result of the audit conducted by Customer pursuant to Appendix 1 "Service of Work" (SOW) and Appendix 2 "Service Level Agreement" (SLA) of this Agreement can be used as the basis for Customer to evaluate GDS' performance status hereof;

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- Neither party has obligations to provide information not reasonably needed in the audits while assisting the other party in audit process (including commercial confidentiality, financial information and intellectual property rights and etc.).

20.2 Notification and Cost

Each party shall give the other party at least 10 (ten)-working day prior written notice requesting assistance with audits. Each party shall bear and pay all costs arising out of the audits on its own.

20.3 External audit

In the event that one party entrusts or appoints a third institution to conduct audits, the written notice requesting assistance with audits issued to the other party shall cover the appointment of such third institution and defined scope of authorization.

21. General Provisions

21.1 Waiver of rights

The failure of one party at any time to exercise the right under this Agreement or take any action against the breach of the other party shall not be regarded or construed as a waiver of such right or such breach against the default party. The specific waiver by one party to the defaulted party's breach of any provision or breach or default in performance shall not be deemed as a waiver of other provisions or breaches or defaults of the other party. All of these waivers shall be in written form.

21.2 Compensation

All compensations provided hereunder are persistent in nature once occur, and shall be separate and independent from other responsibilities of each party and shall survive the expiration or termination of this Agreement.

21.3 Force Majeure

- Force majeure refers to unforeseeable, unavoidable and insurmountable objective conditions. Where one party fails to perform the Agreement due to force majeure, liability shall be exempted partly or wholly according to the impact of force majeure. A party who fails to fulfill the Agreement due to force majeure shall promptly notify the other party in order to reduce

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possible losses to the other party. The party suffering from force majeure shall provide the other party with certifications of relevant departments within 10 (ten) working days from the date when force majeure occurs.

- The party suffering from force majeure shall take all reasonable measures to reduce the adverse consequences caused by force majeure.

21.4 Non-solicit

During the service period of this Agreement and 12 (twelve) months following the expiration or termination of this Agreement, neither party shall directly or indirectly employ the other party's employees who participate in the performance of this Agreement or are aware of the contents of this Agreement (including the employees who leave office during the above period) unless agreed by the other party; otherwise the party shall indemnify the other party the direct economic losses caused thereby.

21.5 Notice

Any notice, consent, request or any other communications hereunder shall be delivered in written form to, or mailed to the following designated recipient address via prepaid postage (or airmails, if sent from or to locations other than the following addresses), or by fax to the following designated fax number or any other address, fax number or E-mail address designated by recipient.

Customer:
Address:
Contact person:
Fax No.:

GDS:
Address:

Contact person:
Fax No.:

21.6 Entire Agreement

This Agreement together with its appendixes attached hereto shall constitute the entire Agreement between the parties with respect of the subject matter and shall supersede all previous negotiations, oral and written commitments,

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agreements, memoranda and communications between the parties relating to the subject matter hereof.

21.7 Originals and Appendixes

This Agreement is made in six originals, three for each party. Each original shall have the same legal effect. This Agreement shall become effective since being signed and affixed with company seals by authorized representatives of both parties.

The appendixes hereof are: Appendix 1 "Service of Work" (SOW) and Appendix 2 "Service Level Agreement" (SLA). Both appendixes are effective parts of this Agreement.

21.8 Modification

This Agreement can only be modified upon written agreement between the parties.

21.9 Application of Law

This Agreement shall be governed by and construed in accordance with the laws of the People's Republic of China.

IN WITNESS WHEREOF, the authorized representatives of both parties sign this Agreement as follows:

Representative
Customer (seal)

Representative
BEIJING WANGUO CHANG'AN SCIENCE & TECHNOLOGY CO., LTD
(seal):

Authorized Representative (signature)

Authorized Representative (signature)

Name (Printed)

Name (Printed)

Date:

Date:

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Consent of Independent Registered Public Accounting Firm

The Board of Directors
GDS Holdings Limited:

We consent to the use of our report dated May 20, 2016, with respect to the consolidated balance sheets of GDS Holdings Limited as of December 31, 2014 and 2015, and the related consolidated statements of operations, comprehensive loss, changes in shareholders' deficit and cash flows for the years then ended, included herein and to the reference to our firm under the heading "Experts" in the registration statement.

/s/ KPMG Huazhen LLP

Shanghai, China
August 8, 2016

Consent of Independent Registered Public Accounting Firm

The Board of Directors
EDC Holding Limited:

We consent to the use of our report dated May 20, 2016, with respect to the consolidated statement of comprehensive loss and the consolidated statement of cash flows of EDC Holding Limited for the six-month period ended June 30, 2014, included herein and to the reference to our firm under the heading "Experts" in the registration statement.

/s/ KPMG Huazhen LLP

Shanghai, China
August 8, 2016
