



粉筆有限公司
Fenbi Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2469

Global Offering



(in no particular order)

Joint Sponsors, Joint Overall Coordinators, Joint Global Coordinators,
Joint Bookrunners and Joint Lead Managers



Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



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Global Offering

Total number of Offer Shares under the Global Offering	: 20,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 2,000,000 Shares (subject to adjustment)
Number of International Offer Shares	: 18,000,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$9.90 per Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application and subject to refund)
Nominal value	: US\$0.00001 per Share
Stock code	: 2469

(in no particular order)

Joint Sponsors, Joint Overall Coordinators, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



Co-lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any of the other documents referred to above.

The Offer Price is expected to be fixed by agreement among the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company on or before Friday, December 30, 2022 or such later time as may be agreed between the parties, but in any event, no later than Friday, January 6, 2023. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$9.90 for each Hong Kong Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, subject to refund if the Offer Price is lower than HK\$9.90. If, for any reason, the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company are unable to reach an agreement on the Offer Price by Friday, January 6, 2023, the Global Offering will not become unconditional and will lapse immediately. The Offer Price will be not more than HK\$9.90 per Share and is expected to be not less than HK\$9.50 per Share.

The Joint Overall Coordinators (for themselves and on behalf of the Underwriters), may, with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range stated in this prospectus at any time prior to the morning of the last date for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.fenbi.com as soon as practicable but in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. For further information, see "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, and in particular, the risk factors set out in "Risk Factors."

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Joint Sponsors and the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters), if certain grounds arise prior to 8:00 a.m. on the Listing Date. Further details of such grounds are set out in "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination." It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws in the United States, and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons (as defined in Regulation S), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered, sold or delivered outside of the United States in offshore transactions in reliance on Regulation S.

ATTENTION

We have adopted a fully electronic application process for the Hong Kong Public Offering. We will not provide printed copies of this document or printed copies of any application forms to the public in relation to the Hong Kong Public Offering.

This prospectus is available at the website of the Stock Exchange at www.hkexnews.hk and our website at www.fenbi.com.

If you require a printed copy of this document, you may download and print from the website addresses above.

December 23, 2022

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

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This document is available at the website of the Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.fenbi.com. **If you require a printed copy of this prospectus, you may download and print from the website addresses above.**

To apply for the Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through **CCASS eIPO service** to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - i. instructing your **broker or custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf; or
 - ii. (if you are an existing **CCASS Investor Participant**) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre by completing an input request.

We will not provide any physical channels to accept any application for the Hong Kong Offer Shares by the public. The contents of the electronic version of this document are identical to the printed document as registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this document is available online at the website addresses above.

Please refer to “How to apply for Hong Kong Offer Shares” for further details of the procedures through which you can apply for the Hong Kong Offer Shares electronically.

Your application must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
500	4,999.92	7,000	69,998.89	50,000	499,992.08	400,000	3,999,936.60
1,000	9,999.84	8,000	79,998.73	60,000	599,990.49	450,000	4,499,928.68
1,500	14,999.76	9,000	89,998.57	70,000	699,988.90	500,000	4,999,920.76
2,000	19,999.68	10,000	99,998.41	80,000	799,987.32	600,000	5,999,904.90
2,500	24,999.61	15,000	149,997.62	90,000	899,985.74	700,000	6,999,889.06
3,000	29,999.52	20,000	199,996.84	100,000	999,984.16	800,000	7,999,873.20
3,500	34,999.45	25,000	249,996.03	150,000	1,499,976.23	900,000	8,999,857.36
4,000	39,999.37	30,000	299,995.25	200,000	1,999,968.30	1,000,000 ⁽¹⁾	9,999,841.50
4,500	44,999.29	35,000	349,994.46	250,000	2,499,960.38		
5,000	49,999.21	40,000	399,993.65	300,000	2,999,952.46		
6,000	59,999.05	45,000	449,992.87	350,000	3,499,944.53		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

EXPECTED TIMETABLE

If there is any change in the following expected timetable, we will issue an announcement on the respective websites of the Company at www.fenbi.com⁽⁶⁾ and the Stock Exchange at www.hkexnews.hk.

Date⁽¹⁾

Hong Kong Public Offering commences. 9:00 a.m. on
Friday, December 23, 2022

Latest time for completing electronic applications
under **White Form eIPO** service through the
designated website www.eipo.com.hk⁽²⁾ 11:30 a.m. on
Friday, December 30, 2022

Application lists open⁽³⁾ 11:45 a.m. on
Friday, December 30, 2022

Latest time for (a) completing payment for
White Form eIPO applications by effecting internet
banking transfer(s) or PPS payment transfer(s)
and (b) giving **electronic application instructions** to HKSCC⁽⁴⁾ 12:00 noon on
Friday, December 30, 2022

If you are instructing your **broker** or **custodian** who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your **broker** or **custodian** for the latest time for giving such instructions which may be different from the latest time as stated above.

Application lists close⁽³⁾ 12:00 noon on
Friday, December 30, 2022

Expected Price Determination Date⁽⁵⁾ Friday, December 30, 2022

Announcement of the Offer Price, the level of
indications of interest in the International Offering,
the level of applications in the Hong Kong Public
Offering and the basis of allocation of the Hong Kong
Offer Shares on our website at www.fenbi.com⁽⁶⁾ and
the website of the Stock Exchange at
www.hkexnews.hk on or before Friday, January 6, 2023

The results of allocations in the Hong Kong Public
Offering (with successful applicants' identification
document numbers, where appropriate) to be available
through a variety of channels, including:

- in the announcement to be posted on our website
and the website of the Stock Exchange at www.fenbi.com⁽⁶⁾ and
www.hkexnews.hk, respectively Friday, January 6, 2023

EXPECTED TIMETABLE

- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function from 8:00 a.m. on Friday, January 6, 2023 to 12:00 midnight on Thursday, January 12, 2023

- from the allocation results telephone enquiry by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. on Friday, January 6, 2023
Monday, January 9, 2023
Tuesday, January 10, 2023
Wednesday, January 11, 2023

Share certificates in respect of wholly or partially successful applications to be dispatched/collected or deposited into CCASS on or before⁽⁷⁾⁽⁹⁾ Friday, January 6, 2023

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched/collected on or before⁽⁸⁾⁽⁹⁾ Friday, January 6, 2023

Dealings in the Shares on the Stock Exchange expected to commence at 9:00 a.m. on Monday, January 9, 2023

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- (1) All times refer to Hong Kong local time, except as otherwise stated.
 - (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
 - (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 30, 2022, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares — C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists.”
 - (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS or instructing your **broker** or **custodian** to apply on your behalf via CCASS should refer to “How to Apply for Hong Kong Offer Shares — A. Applications for Hong Kong Offer Shares — 6. Applying through CCASS EIPO Service.”
 - (5) The Price Determination Date is expected to be on or around Friday, December 30, 2022 and, in any event, not later than Friday, January 6, 2023. If, for any reason, the Offer Price is not agreed between the Company and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) by Friday, January 6, 2023, the Global Offering will not proceed and will lapse.
 - (6) None of the website or any of the information contained on the website forms part of this prospectus.
 - (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.

EXPECTED TIMETABLE

- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied on **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares may collect any refund cheques (where applicable) and/or Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, January 6, 2023 or such other date as notified by us as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who are eligible for personal collection may not authorise any other person to collect on their behalf. Individuals must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **CCASS EIPO** service should refer to "How to Apply for Hong Kong Offer Shares — G. Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Cheques — Personal Collection — If you apply through CCASS EIPO service" for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Share certificates and/or refund cheques for applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in "How to Apply for Hong Kong Offer Shares — F. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — G. Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Cheques."

If the Global Offering does not become unconditional or is terminated in accordance with its terms, the Global Offering will not proceed. In such a case, we will make an announcement as soon as practicable thereafter.

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This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Joint Overall Coordinators, the Joint Global Coordinators, any of the Underwriters, any of our or their respective directors, officers, representatives, or affiliates, or any other person or party involved in the Global Offering. Information contained in our website, located at www.fenbi.com, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and should be read in conjunction with the full text of this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus, including our financial statements and the accompanying notes, before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks of investing in the Offer Shares are set forth in “Risk Factors.” You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a non-formal vocational education and training (“VET”) service provider in China, dedicated to making high-quality non-formal VET services accessible through technology. We primarily provide a comprehensive suite of recruitment and qualification examination tutoring courses for adult students pursuing careers in government-sponsored institutions and a number of professions and industries. We help college graduates excel in the competitive selection process administered by governmental institutions, and help professionals obtain the relevant qualifications. Most importantly, we help our students advance their personal development and fulfill their own potentials. Leveraging our high-quality tutoring services, comprehensive course offerings, and student-centric teaching philosophy, we have successfully established “Fenbi” amid the most recognized brands in China’s career test preparation industry.

We have cultivated a comprehensive portfolio of career test preparation products and services that generate significant synergies. We have developed high-quality online tutoring courses in live or pre-recorded format, supplemented by online self-learning materials and toolkits, which allowed us to quickly establish our online presence and build a trusted brand image among our users. We launched our offline classroom-based tutoring on a large-scale basis in May 2020 to expand our addressable market and serve a broader student base by accommodating their diversified learning habits. Leveraging our large user base and strong reputation accumulated from our online business, we are able to identify and convert users with offline education needs to offline enrollments, which allows us to expand our offline operations rapidly and effectively. Approximately 67.5% of all students who paid for our offline courses in 2021 were converted from students who had previously paid for our online offerings, and since their purchase of our offline courses and up to June 30, 2022, approximately 71.0% of such converted students had continued to pay for our online offerings. We have also established a centralized operational system to ensure online-merge-offline (“OMO”) synergy and operational efficiency. As of June 30, 2022, we had established an extensive offline network of local operational hubs covering over 220 cities across 31 provinces, autonomous regions and municipalities in China.

We offer effective learning experience and outcomes, which rests on our high-caliber teaching staff and systematic content development mechanism. We had a devoted team of 3,796 instructors as of June 30, 2022, substantially all of whom had a bachelor’s degree or above. Our instructors are capable of hosting high-quality live lectures for over 100,000 students in one class. Firsthand teaching experience is also critical for our high-quality content development as it allows us to react to the evolving market demands and the differentiated learning patterns. We have developed substantially all the content on our platform in-house, and most of our content development specialists routinely participate in frontline teaching activities. As a result, we are able to formulate well-designed curricula and learning materials to facilitate an effective learning experience for students. Furthermore, the abundant teaching experience of our content development team, combined with our robust big data analytics, forms a solid foundation for us to continuously refine our course materials and teaching techniques.

We believe we have prompted the intelligent development of China’s career test preparation industry through a series of initiatives, including the launch of a comprehensive online training mobile app in December 2013; the provision of systematic civil servants examination tutoring services through online channels in September 2014; the in-house development of an RTC video system in December 2014; the launch of a comprehensive online question bank in June 2015; and the adoption of multiple

SUMMARY

advanced technology applications, such as the grade prediction, the automated essay grading, the large-scale online mock examination system, the intelligent content recommendation and the photo-based question search engine with a full subject coverage.

During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. Our revenue increased by 83.7% from RMB1,160.3 million in 2019 to RMB2,132.1 million in 2020, and further increased by 60.8% to RMB3,428.6 million in 2021. We generated revenue of RMB1,451.0 million in the six months ended June 30, 2022. We recorded net profit of RMB154.1 million in 2019, and net loss of RMB484.5 million, RMB2,046.0 million and RMB391.8 million in 2020, 2021 and the six months ended June 30, 2022, respectively, primarily due to the rapid expansion of our classroom-based tutoring business that had not yielded the expected results. We recorded adjusted net profit (non-IFRS measure) of RMB175.2 million in 2019, adjusted net loss (non-IFRS measure) of RMB362.8 million and RMB822.4 million in 2020 and 2021, respectively, and adjusted net profit (non-IFRS measure) of RMB95.6 million in the six months ended June 30, 2022. See “Financial Information — Non-IFRS Measure” for a reconciliation of our profit/loss for the year/period to adjusted net profit/loss (non-IFRS measure).

MARKET OPPORTUNITY

VET can improve a job-seeker’s chances of securing his or her intended jobs as competition in China’s job market has become increasingly intensified in recent years. In 2021, there were 10.8 million graduates of higher education in China, according to the F&S Report. As such, an increasing number of job-seekers seek to improve their competitiveness and increase their chances of attaining preferred job positions through high-quality tutoring services. Moreover, recent favorable governmental policies, such as the Opinions on Promoting the High-quality Development of Modern Vocational Education and Training (關於推動現代職業教育高質量發展的意見) jointly released by the General Office of the CPC Central Committee and the General Office of the State Council, aim to facilitate the orderly development of China’s VET industry. According to the F&S Report, China’s non-formal VET industry, in terms of revenue, is expected to increase from RMB221.5 billion in 2021 to RMB331.7 billion in 2026 at a CAGR of 8.4%.

China’s non-formal VET consists of career test preparation and vocational skill training. In addition to favorable governmental policies and intensified competition, China’s career test preparation industry has been, and will continue to be, driven by technological innovation, service upgrade and OMO integration. According to the F&S Report, the market size, in terms of revenue, increased from RMB32.5 billion in 2016 to RMB69.1 billion in 2021 at a CAGR of 16.3% and is expected to reach RMB110.2 billion in 2026 at a CAGR of 9.8% from 2021 to 2026. The unique student enrollments of China’s career test preparation industry increased from 9.1 million in 2016 to 16.2 million in 2021 at a CAGR of 12.2% and are expected to reach 22.4 million in 2026 at a CAGR of 6.7% from 2021 to 2026, according to the same source. As such, we believe we are well-positioned to capture the enormous market opportunities.

COMPETITIVE STRENGTHS

We believe the following competitive strengths have contributed to our success and differentiated us from our competitors: (1) leading career test preparation service provider in China with trusted brand; (2) leading online platform for career test preparation with a massive user base; (3) scalable and synergistic business model featuring highly innovative OMO integration; (4) effective learning experience rooted in strong content development capability and high-caliber teaching staff; (5) operational excellence empowered by technologies and data analytics; and (6) seasoned management team.

SUMMARY

GROWTH STRATEGIES

We intend to pursue the following key strategies to grow our business sustainably and maintain our market leadership: (1) continue to strengthen our reputation by enhancing teaching and service quality; (2) enrich course offerings and explore innovative course delivery modes; (3) strengthen our technologies and data analytics capability; and (4) pursue strategic alliances, investments and acquisitions.

KEY OPERATING AND FINANCIAL METRICS

The following table sets forth a breakdown of the paying users of our tutoring services and the average revenue per paying user for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Number of paying users:					
Online tutoring services					
Existing paying users ⁽¹⁾	775,965	1,166,908	1,493,444	1,185,534	1,092,657
New paying users ⁽²⁾	1,338,731	1,967,488	2,261,906	1,200,582	951,065
Subtotal.	2,114,696	3,134,396	3,755,350	2,386,116	2,043,722
Classroom-based tutoring services					
Existing paying users ⁽¹⁾	32,825	189,892	261,698	219,837	97,986
New paying users ⁽²⁾	21,511	202,105	220,673	149,418	44,968
Subtotal.	54,336	391,997	482,371	369,255	142,954
Average revenue per paying user:					
Online tutoring services (RMB).	311	315	372	284	351
Classroom-based tutoring services (RMB).	6,523	2,261	3,353	2,723	3,662

- (1) Refer to paying users who had also purchased our tutoring courses and/or learning products in previous periods.
(2) Refer to paying users who purchased our tutoring courses and/or learning products for the first time in the period indicated.

For online tutoring services, the number of new paying users in the six months ended June 30, 2022 was slightly fewer than the number of existing paying users, primarily because we reduced the offering of our online promotional courses and focused more on converting paid enrollments for our online formal courses. For classroom-based tutoring services, the number of new paying users in 2020 was higher than the number of existing paying users, primarily due to the launch of our classroom-based tutoring services on a large-scale basis in May 2020. In 2021 and the six months ended June 30, 2022, the number of new paying users was fewer than the number of existing paying users, as a large portion of the paying users for our classroom-based tutoring services were converted from paying users who had previously purchased our online service offerings. In 2019, 2020, 2021 and the six months ended June 30, 2022, 46,510, 293,518, 325,713 and 98,305 paying users for our offline courses, respectively, representing approximately 85.6%, 74.9%, 67.5% and 68.8% of all paying users for our offline courses, respectively, were converted from paying users who had previously paid for our online offerings in the same or previous periods; and 4,078, 34,509, 80,211 and 41,490 paying users for our online offerings, respectively, representing approximately 0.2%, 1.1%, 2.1% and 2.0% of all paying users for our online offerings, respectively, were converted from paying users who had previously paid for our offline courses in the same or previous periods.

SUMMARY

The following table sets forth the number of our full-time instructors as of the dates indicated.

	As of December 31,			As of June 30,	
	2019	2020	2021	2021	2022
Number of instructors:					
Online tutoring courses . . .	114	2,665	2,502	2,908	2,649
Classroom-based tutoring courses	602	3,887	2,018	4,368	1,147
Total	716	6,552	4,520	7,276	3,796

The number of instructors increased significantly from 716 as of December 31, 2019 to 6,552 as of December 31, 2020 and further to 7,276 as of June 30, 2021 as a result of our offline expansion, launch of premium courses and business growth efforts. The number of our instructors decreased from 7,276 as of June 30, 2021 to 4,520 as of December 31, 2021 and further to 3,796 as of June 30, 2022, as we optimized our employee structure in 2021 and the first half of 2022 in an effort to improve our operational efficiency and profitability.

REFUND POLICIES

We may allow refund of course fees in instances of withdrawal from all types of classes prior to the class start date or during the span of the courses. The refund is proportional to the undelivered classes and services. We also refund the fees related to the accompanying textbooks and learning materials if they remain unused at the time of the withdrawal after deducting delivery fees.

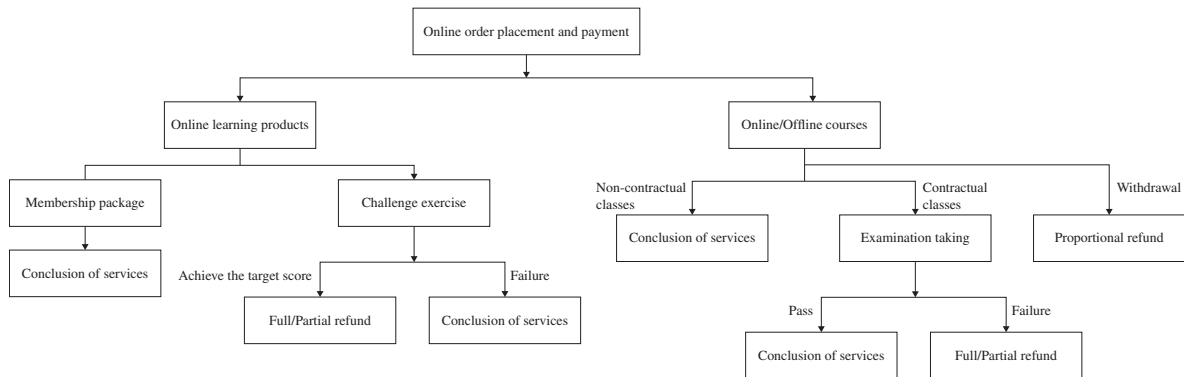
In addition, the course fees for contractual classes are partially or fully refundable if the students complete the classes but fail to pass the examinations as specified in our agreement. As such, we initially record a certain percentage of the contractual class course fees and non-contractual class course fees as refund liabilities based on the estimated refund rate respectively, taking into consideration the historical refund level. We initially record the remaining course fees as contract liabilities, which are subsequently recognized as revenue over the relevant service periods. See “Financial Information — Critical Accounting Policies, Judgments and Estimates — Revenue Recognition” and “Risk Factors — Risks Relating to Our Business and Industry — We recognize variable consideration received for our contractual and non-contractual classes in relation to certain course subjects based on our reasonable estimates of the expected refund rates, which brings uncertainty to our revenue recognition and may have a negative impact on our results of operations and financial condition.”

Starting from 2020, we began to offer postpaid contractual classes to attract an enlarging student base of different spending powers. Students purchasing our postpaid contractual classes are allowed to withhold a portion of the course fees and are obligated to make the payment only upon passing the relevant examinations. We record a certain percentage of the course fees to be collected for postpaid contractual classes as contract assets based on the estimated passage rates and the service progress. See “Financial Information — Discussion of Major Balance Sheet Items — Contract Assets.”

Additionally, students who purchased our “challenge exercise” product and achieved the target score within a prescribed period are eligible for a partial or full refund of the purchase price.

SUMMARY

The following chart illustrates the simplified service and refund process of our tutoring services.



The paid enrollments of our contractual classes were 35,200, 154,400, 276,000, 191,800 and 85,600 in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, and revenue generated from our contractual classes was RMB218.1 million, RMB449.8 million, RMB1,044.8 million, RMB598.3 million and RMB362.1 million, respectively, in the same periods. See “Business — Our Tutoring Services — Course Fees and Refund Policies.” The following table sets forth the revenue of our tutoring courses by course type for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Contractual classes					
Online	37,889	69,608	124,483	69,130	67,895
Classroom-based	180,188	380,175	920,356	529,166	294,250
Subtotal	218,077	449,783	1,044,839	598,296	362,145
Non-contractual classes					
Online	560,391	756,419	1,124,729	520,571	561,142
Classroom-based	174,259	506,325	696,974	476,298	229,284
Subtotal	734,650	1,262,744	1,821,703	996,869	790,426
Total	952,727	1,712,527	2,866,542	1,595,165	1,152,571

The following table sets forth the refund rates for our contractual and non-contractual classes and the total refund rates by nature in terms of course fee collected, as calculated by dividing the amount of course fees refunded in a given period by the amount of course fees collected in the same period, during the Track Record Period.

	Non-contractual classes	Contractual classes	Total
For the year ended December 31, 2019			
Overall refund rate	1.5%	33.7%	15.9%
Withdrawal refund rate	1.5%	10.0%	4.7%
No-pass refund rate	—	23.7%	9.3%
For the year ended December 31, 2020			
Overall refund rate	3.5%	50.0%	31.3%
Withdrawal refund rate	3.5%	14.9%	9.5%
No-pass refund rate	—	35.1%	19.4%

SUMMARY

	Non-contractual classes	Contractual classes	Total
<i>For the year ended December 31, 2021</i>			
Overall refund rate	3.6%	73.3%	47.7%
Withdrawal refund rate	3.6%	14.8%	10.4%
No-pass refund rate	—	58.5%	36.0%
<i>For the six months ended June 30, 2022</i>			
Overall refund rate	4.2%	63.9%	33.2%
Withdrawal refund rate	4.2%	18.9%	10.4%
No-pass refund rate	—	45.0%	20.0%

The following table sets forth the overall refund rates for our online and classroom-based tutoring services for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Online tutoring services	9.4%	19.2%	18.4%	21.1%
Classroom-based tutoring services .	28.6%	37.7%	62.0%	47.6%

The number of refund requests and the amount of refunds for a certain period could be affected by a number of factors, many of which are beyond our control, leading to fluctuations in our refund rates. Excessive refund payments that we may be required to make to our students, as well as the expenses we may incur for processing refunds and resolving refund disputes, could adversely affect our liquidity and working capital. See “Financial Information — Discussion of Major Balance Sheet Items — Refund Liabilities” and “Risk Factors — Risks Relating to Our Business and Industry — Excessive refunds or potential refund disputes may negatively affect our results of operations, financial condition and reputation.”

CUSTOMERS AND SUPPLIERS

Our customers primarily include our students and, to a much lesser extent, third-party book vendors who purchased our textbooks and learning materials. Revenue generated from our top five customers in each year/period during the Track Record Period accounted for 1.1%, 1.2%, 1.6% and 2.8% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our suppliers primarily include suppliers for paper, third-party vendors for human resource services, publishing services, printing services, marketing services and information technology services, as well as providers of the premises we occupy for our classroom-based tutoring. Purchase from our top five suppliers in each year/period during the Track Record Period accounted for 49.0%, 31.9%, 16.6% and 22.2% of our total purchases in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, and purchase from our largest supplier in each year/period during the Track Record Period accounted for 14.7%, 13.3%, 4.1% and 8.2% of our total purchases in the same periods, respectively. Except for one top five supplier in the six months ended June 30, 2022 who was also one top five customer in 2021 and the six months ended June 30, 2022, none of our major customers was our major supplier during the Track Record Period. See “Business — Our Customers and Suppliers” for details.

RISKS AND CHALLENGES

Our business and operations involve certain risks and uncertainties including those set out in the “Risk Factors” section in this prospectus. Such risks include, but are not limited to:

- We may have difficulty in managing our growth effectively.

SUMMARY

- We have a limited operating history with our OMO integration model, which makes it difficult to forecast our revenue growth and evaluate our business and prospects.
- We face intense competition, which could divert students to our competitors and lead to pricing pressure and loss of market shares.
- We had net loss, net current liabilities, net liabilities and net cash used in operating activities during the Track Record Period, and may continue to incur net loss, net current liabilities, net liabilities and net cash used in operating activities in the foreseeable future, which can expose us to liquidity risks.
- We may fail to continue to attract students and increase their purchases and spending with us.
- We may fail to continue to engage, train and retain qualified teaching staff to maintain consistent teaching quality.
- We may not be able to develop appealing content offerings in a timely and cost-effective manner, or develop and apply advanced technologies to support and optimize our online products and services.
- Excessive refunds or potential refund disputes may negatively affect our results of operations, financial condition and reputation, as the course fees for our contractual classes are subject to partial refund ranging from 65% to 70% of the total course fees or full refund if the students complete the classes but fail to pass the examinations as specified in our agreement.

As different investors may have different interpretations and criteria when determining the significance of a risk, you should carefully read the “Risk Factors” section in its entirety before you decide to invest in our Shares.

SUMMARY OF FINANCIAL INFORMATION

The following tables present the summary of our financial information for the Track Record Period and should be read in conjunction with our financial information included in the Accountant’s Report in Appendix I to this prospectus, including the notes thereto.

Summary of Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Revenue	RMB	% of Revenue	RMB	% of Revenue	RMB	% of Revenue	RMB	% of Revenue
	(RMB in thousands except for percentages)									
	(Unaudited)									
Revenue	1,160,315	100.0	2,132,074	100.0	3,428,559	100.0	1,885,417	100.0	1,451,032	100.0
Cost of sales	(624,073)	(53.8)	(1,642,142)	(77.0)	(2,587,692)	(75.5)	(1,562,874)	(82.9)	(761,721)	(52.5)
Gross profit	536,242	46.2	489,932	23.0	840,867	24.5	322,543	17.1	689,311	47.5
Administrative expenses	(142,424)	(12.3)	(484,342)	(22.7)	(1,119,886)	(32.7)	(579,719)	(30.7)	(264,922)	(18.3)
Selling and marketing expenses	(116,191)	(10.0)	(404,896)	(19.0)	(704,125)	(20.5)	(385,853)	(20.5)	(253,142)	(17.4)
Research and development expenses	(104,117)	(9.0)	(124,389)	(5.8)	(286,959)	(8.4)	(111,667)	(5.9)	(85,348)	(5.9)

SUMMARY

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Revenue	RMB	% of Revenue	RMB	% of Revenue	RMB	% of Revenue	RMB	% of Revenue
	(RMB in thousands except for percentages)									
	(Unaudited)									
Operating profit/(loss)	186,048	16.0	(511,288)	(24.0)	(1,244,513)	(36.3)	(727,924)	(38.6)	30,852	2.1
Profit/(loss) before income tax	184,036	15.8	(517,167)	(24.3)	(2,057,929)	(60.0)	(970,282)	(51.5)	(361,249)	(24.9)
Income tax (expense)/credit	(29,966)	(2.5)	32,695	1.6	11,958	0.3	24,769	1.3	(30,521)	(2.1)
Profit/(loss) for the year/period	<u>154,070</u>	<u>13.3</u>	<u>(484,472)</u>	<u>(22.7)</u>	<u>(2,045,971)</u>	<u>(59.7)</u>	<u>(945,513)</u>	<u>(50.2)</u>	<u>(391,770)</u>	<u>(27.0)</u>

Non-IFRS measure

We use adjusted net profit/loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that the non-IFRS measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management.

We define adjusted net profit/loss (non-IFRS measure) as profit/loss for the year/period adjusted by share-based payments, fair value losses on financial liabilities at fair value through profit or loss, loss on settlement of financial liabilities at fair value through profit or loss, and listing expenses. Share-based payments arise from granting options to employees. We exclude share-based payments as such expenses are non-cash in nature and do not result in cash outflows. Fair value losses on financial liabilities at fair value through profit or loss represent fair value changes relating to convertible preferred shares issued in our equity financings. The convertible preferred shares will be automatically converted into ordinary shares upon completion of the Global Offering, and we do not expect to record further gains or losses in relation to valuation changes in such instruments after the Listing. Loss on settlement of financial liabilities at fair value through profit or loss is related to the redemption of certain number of preferred shares, which have been cancelled at the closing of the redemption in March 2021, and we do not expect to record any further gains or losses in relation to the settlement of such instruments thereafter. Listing expenses were incurred in connection with our preparation for the Global Offering.

The following table reconciles our adjusted net profit/loss (non-IFRS measure) for the periods presented to the most directly comparable financial measure calculated and presented under IFRS.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Profit/(loss) for the year/period	154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
Add:					
Share-based payments	21,171	121,637	415,379	172,303	83,188
Fair value losses of financial liabilities at fair value through profit or loss	—	—	582,957	19,698	383,799
Loss on settlement of financial liabilities at fair value through profit or loss	—	—	212,760	212,760	—
Listing expenses	—	—	12,518	—	20,415
Adjusted net profit/(loss) (non-IFRS measure)	<u>175,241</u>	<u>(362,835)</u>	<u>(822,357)</u>	<u>(540,752)</u>	<u>95,632</u>

We recorded adjusted net loss (non-IFRS measure) of RMB362.8 million and RMB822.4 million in 2020 and 2021, respectively, as compared to adjusted net profit (non-IFRS measure) of RMB175.2 million in 2019, primarily due to the substantial costs and operating expenses we incurred to support the launch of our classroom-based tutoring on a large-scale basis in May 2020. We recorded adjusted net profit (non-IFRS measure) of RMB95.6 million in the six months ended June 30, 2022, as compared to adjusted net loss (non-IFRS measure) of RMB540.8 million in the six months ended June 30, 2021, primarily because we optimized our employee structure and adjusted the scale of our offline coverage in an effort to improve our operational efficiency and profitability.

SUMMARY

Revenue

During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our total revenue was RMB1,160.3 million, RMB2,132.1 million, RMB3,428.6 million, RMB1,885.4 million and RMB1,451.0 million, respectively.

The following table sets forth a breakdown of our revenue by business line for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Tutoring services										
Online tutoring ⁽¹⁾	657,432	56.7	986,232	46.2	1,396,125	40.7	678,809	36.0	716,831	49.4
Classroom-based tutoring	354,447	30.5	886,500	41.6	1,617,330	47.2	1,005,464	53.3	523,534	36.1
Subtotal	1,011,879	87.2	1,872,732	87.8	3,013,455	87.9	1,684,273	89.3	1,240,365	85.5
Sales of books	148,436	12.8	259,342	12.2	415,104	12.1	201,144	10.7	210,667	14.5
Total	1,160,315	100.0	2,132,074	100.0	3,428,559	100.0	1,885,417	100.0	1,451,032	100.0

(1) Includes revenue generated from online tutoring courses and other online learning products (i.e., membership package and challenge exercise).

The following table sets forth a breakdown of our revenue generated from tutoring services by examination sector for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Civil servants examination tutoring	799,415	79.0	1,438,322	76.8	2,062,865	68.5	1,136,759	67.5	828,682	66.8
Public institution employees examination tutoring	114,121	11.3	279,009	14.9	586,796	19.5	356,665	21.2	244,249	19.7
Teacher qualification and recruitment tutoring	53,413	5.3	102,973	5.5	251,947	8.4	138,542	8.2	127,803	10.3
Other test preparation	44,930	4.4	52,428	2.8	111,847	3.7	52,307	3.1	39,631	3.2
Total revenue generated from tutoring services	1,011,879	100.0	1,872,732	100.0	3,013,455	100.0	1,684,273	100.0	1,240,365	100.0

SUMMARY

The following table sets forth a breakdown of our revenue generated from classroom-based tutoring services by region for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Eastern China region	103,551	29.2	229,266	25.9	380,500	23.5	198,171	19.7	71,665	13.7
Northern China region	74,926	21.1	168,585	19.0	269,072	16.6	177,511	17.7	79,094	15.1
Southern China region	70,962	20.0	116,257	13.1	259,816	16.1	166,985	16.6	93,713	17.9
Northwestern China region	40,682	11.5	114,109	12.9	245,956	15.2	172,993	17.2	98,372	18.8
Northeastern China region	32,450	9.2	114,038	12.9	198,714	12.3	129,872	12.9	56,800	10.8
Southwestern China region	31,876	9.0	144,245	16.2	263,272	16.3	159,932	15.9	123,890	23.7
Total revenue generated from classroom-based tutoring services	354,447	100.0	886,500	100.0	1,617,330	100.0	1,005,464	100.0	523,534	100.0

Gross profit and gross margin

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our gross profit was RMB536.2 million, RMB489.9 million, RMB840.9 million, RMB322.5 million and RMB689.3 million, respectively, representing a gross profit margin of 46.2%, 23.0%, 24.5%, 17.1% and 47.5% for the same periods, respectively.

The following table sets forth a breakdown of our gross profit and gross margin by business line for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	Gross Margin (%)	RMB	Gross Margin (%)	RMB	Gross Margin (%)	RMB	Gross Margin (%)	RMB	Gross Margin (%)
	(RMB in thousands except for percentages)									
	(Unaudited)									
Tutoring services										
Online tutoring	396,293	60.3	491,982	49.9	715,649	51.3	283,937	41.8	431,991	60.3
Classroom-based tutoring	90,145	25.4	(98,584)	(11.1)	(4,910)	(0.3)	(18,644)	(1.9)	190,216	36.3
Subtotal	486,438	48.1	393,398	21.0	710,739	23.6	265,293	15.8	622,207	50.2
Sales of books	49,804	33.6	96,534	37.2	130,128	31.3	57,250	28.5	67,104	31.9
Total	536,242	46.2	489,932	23.0	840,867	24.5	322,543	17.1	689,311	47.5

The gross profit margin of our online tutoring services decreased from 60.3% in 2019 to 49.9% in 2020, as the revenue growth was outpaced by the increase in our costs of sales in relation to online tutoring services, primarily due to (1) the expansion of our teaching team to support the launch of our premium courses, which resulted in increased employee benefit expenses, and (2) the launch of premium courses in June 2020, which have a relatively lower student-instructor ratio as compared to online systematic courses. We recorded gross margin of (11.1)% for our classroom-based tutoring services in 2020, as compared to gross margin of 25.4% in 2019, as the revenue growth was outpaced by the increase in our costs of sales in relation to classroom-based tutoring services, primarily because (1) we incurred substantial costs to support the launch of our classroom-based tutoring on a large-scale basis in May 2020, and (2) we launched various promotional courses priced at below RMB500 as part of our offline expansion initiatives to attract students. The gross profit margin of our sales of books increased from 33.6% in 2019 to 37.2% in 2020, primarily due to greater economies of scale.

SUMMARY

The gross profit margin of our online tutoring services remained relatively stable at 49.9% and 51.3% in 2020 and 2021, respectively. We recorded gross margin of (0.3)% for our classroom-based tutoring services in 2021, as compared to gross margin of (11.1)% in 2020, primarily because we optimized our employee structure for classroom-based tutoring in an effort to improve our operational efficiency and profitability. The gross profit margin of our sales of books decreased from 37.2% in 2020 to 31.3% in 2021, primarily because the market price of paper increased due to market demands while the standalone retail prices of our books and learning materials remained relatively stable.

The gross profit margin of our online tutoring services increased from 41.8% in the six months ended June 30, 2021 to 60.3% in the six months ended June 30, 2022, primarily because we optimized our employee structure for online tutoring and enhanced our cost control measures in an effort to improve our operational efficiency and profitability. The gross margin of our classroom-based tutoring services increased from (1.9)% in the six months ended June 30, 2021 to 36.3% in the six months ended June 30, 2022, primarily because we optimized our employee structure for classroom-based tutoring and adjusted the scale of our offline coverage in an effort to improve our operational efficiency and profitability. Particularly, the utilization of our instructors improved following the optimization of our employee structure. The following table sets forth the utilization of our instructors with respect to all tutoring courses and formal tutoring courses, as measured by the ratio of paid enrollments, for the periods indicated.

	First half of 2019	Second half of 2019	First half of 2020	Second half of 2020	First half of 2021	Second half of 2021	First half of 2022
Ratio of paid enrollments per instructor ⁽¹⁾	6,036	6,237	2,714	1,144	595	597	638
Ratio of formal course paid enrollments per instructor ⁽²⁾	2,405	1,197	632	268	193	208	295

- (1) The ratio of paid enrollments per instructor is calculated based on all paid enrollments of tutoring courses for the relevant period divided by the average number of full-time instructors for the same period (which is calculated based on the number of full-time instructors at each quarter beginning and/or end during the period).
- (2) The ratio of formal course paid enrollments per instructor is calculated based on the paid enrollments of formal tutoring courses for the relevant period divided by the average number of full-time instructors for the same period (which is calculated based on the number of full-time instructors at each quarter beginning and/or end during the period).

Each of the ratio of paid enrollments per instructor and the ratio of formal course paid enrollments per instructor in 2019 was significantly higher than that of other periods during the Track Record Period, primarily because (1) we had not launched premium courses until June 2020 and focused on providing systematic courses in 2019, while the premium course features a relatively lower student-instructor ratio in order to deliver more individualized learning experience; for example, during the Track Record Period, our online systematic courses for written tests typically had an average of 1,000 to 4,000 students, while our online premium courses for written tests typically had an average of 20 to 400 students; and (2) we had limited offline operations in 2019 and had not launched our offline course offerings on a large-scale basis until May 2020. As such, the ratio of paid enrollments per instructor decreased from the second half of 2019 to the first half of 2021, and the ratio of formal course paid enrollments per instructor decreased from the first half of 2019 to the first half of 2021, primarily because (1) we expanded our teaching team to support the launch of our premium courses in June 2020 and the subsequent increased offering of our online premium courses, and (2) we had been expanding our offline teaching team in response to the increased demand for our offline tutoring services. The ratio of paid enrollments per instructor and the ratio of formal course paid enrollments per instructor increased from the first half of 2021 to the first half of 2022 as we optimized our employee structure to increase the utilization and efficiency of our teaching staff.

The gross margin of our sales of books increased from 28.5% in the six months ended June 30, 2021 to 31.9% in the six months ended June 30, 2022, primarily because the cost of course materials decreased as a result of the combined effect of the decreased procurement price of paper and the launch and scale-up of our in-house printing facilities since March 2021, despite our revenue growth.

SUMMARY

See “Financial Information — Period to Period Comparison of Results of Operations” for details.

Profit/Loss for the period

We recorded net profit of RMB154.1 million in 2019, and net loss of RMB484.5 million, RMB2,046.0 million, RMB945.5 million and RMB391.8 million in 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, primarily due to the rapid expansion of our classroom-based tutoring business that had not yielded the expected results. A significant component of our cost of sales and operating expenses is employee benefit expenses, which increased significantly during the Track Record Period in support of our business growth and expansion. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our total employee benefit expenses were RMB338.4 million, RMB1,173.3 million, RMB2,719.2 million, RMB1,411.7 million and RMB771.3 million, respectively, representing 29.2%, 55.0%, 79.3%, 74.9% and 53.2% of our total revenue of the same periods, respectively, primarily due to headcount changes as we were expanding our course offerings and coverage of examination subjects. Particularly, the number of our full-time employees increased significantly from 1,592 as of December 31, 2019 to 12,803 as of December 31, 2020 and further to approximately 16,800 as of March 31, 2021. The headcount increase has not resulted in an immediate and proportional growth in our revenue in the same period, as we generally require newly hired teaching staff to undergo systematic onboarding training sessions before delivering courses. To effectively manage our growth and improve our profitability, we optimized the structure of our employee team, which comprised 8,964 members as of December 31, 2021 and 7,388 members as of June 30, 2022. In addition, the impact of the COVID-19 pandemic on our offline operations, as well as the delay of certain recruitment and qualification examinations due to the pandemic, had adversely affected our results of operations in the short run. To streamline the operations of our loss-making offline business and enhance our ability to withstand the COVID-19 resurgence, we adjusted the scale of our offline coverage and closed 188 operational hubs in 2021 and 88 operational hubs in the six months ended June 30, 2022 based on comprehensive assessment of their operational performance and the addressable market of the areas they covered, including the local recruitment plans. Moreover, we incurred significant share-based payments, fair value losses on financial liabilities at fair value through profit or loss, and loss on settlement of financial liabilities at fair value through profit or loss during the Track Record Period, particularly in 2021 and the six months ended June 30, 2022.

We have formulated and begun to implement specific strategies and concrete plans to improve our profitability and operating cash flows, such as expanding our course offerings and refining our online products and toolkits, increasing the utilization level of our teaching staff, and continuously investing in content development, teaching staff training and technological innovation to improve our operational efficiency. We have also selectively retained high-caliber instructors during the employee structure optimization process to improve our teacher utilization and maintain the quality of our courses. As such, we maintained healthy revenue scale and level of paid enrollments in 2021 and the six months ended June 30, 2022, despite the decrease of the number of our instructors and other teaching staff from approximately 10,000 members as of March 31, 2021 to approximately 5,300 members as of December 31, 2021 and further to approximately 4,100 members as of June 30, 2022. In particular, we have begun to generate gross profit from our classroom-based tutoring services since the fourth quarter of 2021. As a result, the gross margin for our classroom-based tutoring services narrowed significantly from (11.1)% in 2020 to (0.3)% in 2021. In the six months ended June 30, 2022, we recorded a gross profit margin for our classroom-based tutoring services of 36.3%, and the overall gross profit margin increased to 47.5%, as compared to 17.1% in the six months ended June 30, 2021. In addition, as we have substantially established our nationwide coverage with established local operational hubs in strategic localities, we will remain prudent with respect to geographical expansion. We will also closely monitor the development of the COVID-19 and related government measures in China to assess the impact on our business and adjust our strategies accordingly. Specifically, we do not expect to make significant investment in establishing additional operational hubs going forward, which was one of the major factors leading to our losses during the Track Record Period. See “Financial Information — Business Sustainability” for details.

SUMMARY

Summary of Consolidated Statements of Balance Sheet

The following table sets forth a summary of our consolidated balance sheet as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Non-current assets	101,061	526,126	761,709	496,768
Current assets	544,833	842,807	1,380,514	1,496,511
Non-current liabilities	40,577	6,569,519	9,024,068	9,787,787
Current liabilities	427,686	1,375,574	1,352,795	1,143,988
Net current assets/(liabilities)	117,147	(532,767)	27,719	352,523
Equity/(deficit)	177,631	(6,576,160)	(8,234,640)	(8,938,496)

We had net current liabilities of RMB532.8 million as of December 31, 2020, as compared to net current asset of RMB117.1 million as of December 31, 2019, primarily due to an increase in refund liabilities of RMB561.6 million as a result of increased paid enrollments of our contractual classes, an increase in trade and other payables of RMB236.1 million attributable to an increase in employee benefits payables along with the increased number of our employees, and an increase in lease liabilities of RMB102.3 million, partially offset by an increase in cash and cash equivalents of RMB170.9 million. We had net current assets of RMB27.7 million as of December 31, 2021, as compared to net current liabilities of RMB532.8 million as of December 31, 2020, primarily due to an increase in cash and cash equivalents of RMB827.2 million resulting from proceeds from the equity financing, which was completed in June 2021, and redemption of certain wealth management products in late 2021. Our net current assets increased from RMB27.7 million as of December 31, 2021 to RMB352.5 million as of June 30, 2022, primarily due to an increase in cash and cash equivalents of RMB93.7 million as a result of our efforts in managing our growth and improving our profitability, a decrease in lease liabilities of RMB61.0 million in connection with the adjustment of our offline coverage, and an increase in contract assets of RMB39.6 million due to postponed examinations, which led to delayed settlement of contract assets.

We had net liabilities of RMB6,576.2 million as of December 31, 2020, as compared to net assets of RMB177.6 million as of December 31, 2019, primarily due to the issuance of series A preferred shares amounting to RMB6,391.0 million as the consideration of the spin-off of our Group from YUAN Inc. Our net liabilities increased to RMB8,234.6 million as of December 31, 2021, primarily due to our net loss of RMB2,046.0 million recognized in 2021. Our net liabilities further increased to RMB8,938.5 million as of June 30, 2022, primarily due to our net losses of RMB391.8 million recognized in the six months ended June 30, 2022. Our net liabilities position was primarily attributable to financial liabilities at fair value through profit or loss relating to convertible preferred shares issued in our equity financings, which will be re-designated as equity upon the Listing along with the automatic conversion of convertible preferred shares into ordinary shares. As such, we expect that our net liabilities position as of June 30, 2022 would turn into net assets position upon the Listing.

We have formulated and begun to implement specific strategies and concrete plans to improve our profitability and operating cash flows. See “Financial Information — Business Sustainability” for details. We intend to continue to finance our working capital with cash flows generated from our operating activities, net proceeds from the Global Offering and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations. Taking into consideration the financial resources presently available to us, our Directors are of the view that our available cash and cash equivalents, wealth management products, anticipated cash flows generated from operating activities, and net proceeds from the Global Offering will be sufficient to meet our present and anticipated cash requirements for the next 12 months from the date of this prospectus, notwithstanding that we had net loss, net current liabilities and net liabilities during the Track Record Period.

SUMMARY

Summary of Consolidated Statement of Cash Flows

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

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)			(Unaudited)	
Net cash generated from/(used in) operating activities	434,099	459,125	(915,129)	(286,527)	57,377
Net cash (used in)/generated from investing activities	(288,884)	(187,977)	156,516	(511,714)	25,440
Net cash (used in)/generated from financing activities	(90,726)	(100,281)	1,612,437	1,669,583	(49,895)
Net increase in cash and cash equivalents . .	54,489	170,867	853,824	871,342	32,922
Cash and cash equivalents at beginning of the year/period	109,041	161,783	332,650	332,650	1,159,867
Exchange difference	(1,747)	—	(26,607)	(6,235)	60,740
Cash and cash equivalents at end of the year/period	<u>161,783</u>	<u>332,650</u>	<u>1,159,867</u>	<u>1,197,757</u>	<u>1,253,529</u>

In 2021, our net cash used in operating activities was RMB915.1 million, primarily attributable to our loss before tax of RMB2,057.9 million, adjusted for (1) certain non-cash and non-operating items, primarily including fair value losses on financial liabilities at fair value through profit or loss of RMB583.0 million, share-based payments of RMB325.5 million, depreciation of right-of-use assets of RMB214.4 million, loss on settlement of financial liabilities at fair value through profit or loss of RMB212.8 million, and depreciation of property, plant and equipment of RMB78.0 million, and (2) changes in working capital that negatively affected the cash flow, primarily including payment for value previously recorded in equity relating to repurchase of employee share options of RMB113.0 million, a decrease in refund liabilities of RMB77.5 million, and an increase in trade receivables and prepayment and other receivables of RMB37.3 million. See “Financial Information — Liquidity and Capital Resources — Cash Flows” for details.

Key Financial Ratios

The following table sets forth our key financial ratios as of the dates and for the periods indicated.

	As of/for the year ended December 31,			As of/for the six months ended June 30,
	2019	2020	2021	2022
Profitability ratios				
Gross profit margin	46.2%	23.0%	24.5%	47.5%
Net profit/(loss) margin	13.3%	(22.7%)	(59.7%)	(27.0%)
Adjusted net profit/(loss) margin (non-IFRS measure)	15.1%	(17.0%)	(24.0%)	6.6%
Liquidity ratios				
Current ratio	1.3	0.6	1.0	1.3
Quick ratio	1.2	0.6	1.0	1.2

See “Financial Information — Key Financial Ratios” for details.

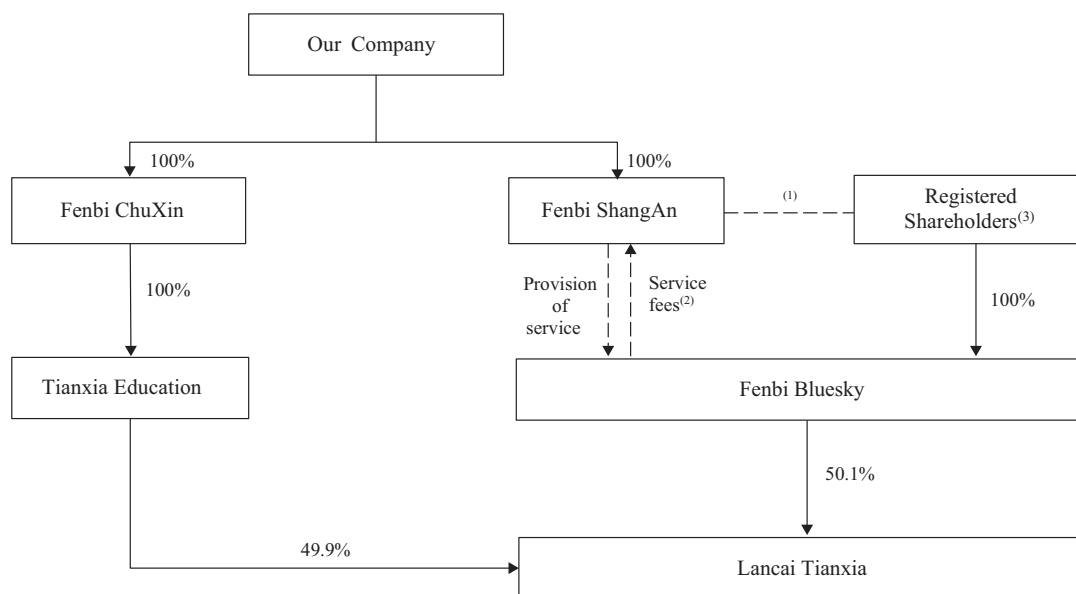
CONTRACTUAL ARRANGEMENTS

Our online non-formal VET services and book printing business in China are subject to foreign investment restrictions under PRC laws and are directly conducted through our Consolidated Affiliated Entities. In order to comply with PRC laws and regulations and maintain effective control over our

SUMMARY

Consolidated Affiliated Entities, we entered into the Contractual Arrangements through which, together with the equity holding, we are able to exercise control over and enjoy all the economic benefits derived from the operations of the Consolidated Affiliated Entities. See “Contractual Arrangements” for details.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements.



—> denotes direct legal and beneficial ownership in the equity interest

- - -> denotes contractual relationship

- (1) Control of Fenbi ShangAn over Fenbi Bluesky through the following agreements with the Registered Shareholders: (i) Shareholder Right Proxy Agreement, (ii) Exclusive Option Agreement, and (iii) Equity Pledge Agreement.
- (2) Control of Fenbi ShangAn over Fenbi Bluesky through the Business Cooperation and Service Agreement.
- (3) Fenbi Bluesky is owned as to 92.45%, 5.00%, 2.25%, 0.10%, 0.10% and 0.10% by Mr. Zhang, Beijing Fenbi Box, Mr. WEI Liang, Mr. LI Yong, Mr. LI Xin and Mr. GUO Changzhen, respectively. Beijing Fenbi Box is owned as to 95.0% by Mr. Zhang as the general partner and as to 5.0% by Mr. WEI Liang as the limited partner.

REORGANIZATION AND SPIN-OFF

In 2020, our Group underwent a reorganization and was spun off from YUAN Inc, and our Company was incorporated to become the holding company of Fenbi Bluesky. See “History, Reorganization and Corporate Structure — Overview” and “History, Reorganization and Corporate Structure — Corporate Development of Our Group — Reorganization” for details.

OUR SHAREHOLDING STRUCTURE

Our Controlling Shareholders

Immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme), Mr. ZHANG Xiaolong, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin, together with their respective controlled intermediary entities, namely Chalk Sky Ltd, Chalk Star Ltd, Chalk World Ltd, Chalk Wonder Ltd, Liang Ma Limited, Green Creek Holding Limited and Taurus Fund L.P., will be considered as a group controlling shareholders for the purpose of the Listing Rules and will hold approximately 35.00% of the enlarged share capital of our Company. See “Relationship with Our Controlling Shareholders” and “History, Reorganization and Corporate Structure” for details.

SUMMARY

Pre-IPO Investments

We have completed pre-IPO equity financings to fund our rapid business expansion. See “History, Reorganization and Corporate Structure — Pre-IPO Investments” for details of the identity and background of our Pre-IPO Investors.

Share Incentive Scheme

We value the contribution from our Directors, senior management and employees to the development and success of our Group. See “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme” for details.

DIVIDEND

During the Track Record Period, we did not declare or pay any dividend. According to our dividend policy adopted on December 20, 2022, the Articles of Association and applicable laws and regulations, our Company in general meeting may from time to time by ordinary resolution declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board, provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. We currently do not have a pre-determined or fixed dividend payout ratio. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment. The determination to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, business conditions and strategies, future operations and earnings, capital and investment requirements, level of indebtedness, and other factors that our Directors deem relevant.

As advised by our Cayman legal advisors, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, results of operations or financial condition. In addition, during the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations, or experience any non-compliance incident, which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business, results of operations or financial condition. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in “Business — Legal Proceedings and Compliance,” we had complied with the relevant PRC laws and regulations currently in effect in all material respects.

COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS

A novel strain of coronavirus, known as COVID-19, has severely affected China and many other countries in recent years. On March 11, 2020, amid the escalating situation, the World Health Organization further characterized COVID-19 as a pandemic. With measures taken by the PRC government, there has been a significant decrease in the number of existing confirmed COVID-19 cases in China since mid-February 2020. The Chinese government has gradually lifted domestic travel restrictions and other quarantine measures, and economic activities have begun to recover and return to normal nationwide since the second quarter of 2020 despite the recurrence of confirmed cases in various regions in China. Our Directors have carried out a holistic review of the impact of the COVID-19 on our operations and confirmed that as of the Latest Practicable Date, COVID-19 had not had any long-term material adverse impact on our operations based on the following grounds.

SUMMARY

Impact on our business and financial conditions. Government efforts to contain the spread of the COVID-19 pandemic, including city lockdowns, “stay-at-home” orders, travel restrictions and emergency quarantines, have caused significant and unprecedented disruptions to the global and Chinese economy and normal business operations across various sectors, including our addressable markets. For example, during the Track Record Period and up to the Latest Practicable Date, over 60 major national or provincial recruitment and qualification examinations in China were postponed, such as the 2020 Public Institution Employee Recruitment Examination of Guangdong Province and the 2021 National Civil Servants Examination, which required us to postpone relevant course delivery correspondingly, leading to delayed revenue recognition. In particular, in 2022, several recruitment and qualification examinations had been postponed for months compared to their original schedules. For example, the 2022 Multi-provincial Unified Civil Servants Examination, which involves more than 20 provinces, was delayed from March 2022 to July 2022. In addition, as a result of the regional resurgence of COVID-19 cases in China, certain municipal level teacher qualification and recruitment examinations originally scheduled in the first half of 2022 had been postponed to the second half, and certain municipal level teacher qualification examinations originally scheduled in October 2022 had tentatively been postponed to 2023. The 2023 National Civil Servants Examination originally scheduled in December 2022 has been postponed to January 2023. The 2023 Regional Civil Servants Examinations for Beijing City and Shandong Province originally scheduled in December 2022 were also postponed, with the new examination dates to be determined. On the other hand, several other examinations were held earlier than scheduled, such as certain Regional Civil Servants Examinations in 2021, which resulted in shortened service periods and lowered course fees we charged and, therefore, decreased revenue.

Despite the short-term impact, we expect that our business will not be severely disrupted in the long run for the following reasons. The COVID-19 pandemic has been generally contained in China where we conduct our business, and we were generally able to develop our offline operations. Specifically, the total paid enrollments of our classroom-based tutoring courses continued to increase from 710,000 in 2020 to 836,000 in 2021, and the paid enrollments of our classroom-based formal courses continued to increase from 293,000 in 2020 to 398,000 in 2021, despite the impact of the COVID-19 pandemic. Although our classroom-based tutoring services were negatively affected by the regional resurgence of the COVID-19 pandemic in the first half of 2022, which led to the postponement of certain examinations, there has been a recovery of recruitment needs, according to the F&S Report. For example, the 2022 Multi-provincial Unified Civil Servants Examination was held in July 2022 without downsizing the hiring plans. Moreover, we can serve users with comprehensive online products and services remotely, which we believe has, to a certain extent, minimized the impact of the restrictions on offline activities caused by the outbreak. Furthermore, the COVID-19 outbreak has not materially and adversely affected the recruitment plans of various government-sponsored positions, as evidenced by an increasing number of government-sponsored positions offered since 2020, according to the F&S Report. China’s non-formal VET industry, in terms of revenue, is expected to increase from RMB221.5 billion in 2021 to RMB331.7 billion in 2026 at a CAGR of 8.4%, according to the same source. As such, we believe that there is sustained demand for our tutoring services despite the COVID-19 outbreak.

Impact on our operations. As mandated shutdowns went into effect across China in early 2020 when the COVID-19 outbreak peaked in China, we experienced nationwide suspension of our classroom-based tutoring courses from January 2020 to May 2020. After that, we from time to time experienced regional suspension of our classroom-based tutoring courses in over 100 cities across 29 provinces, municipalities, and autonomous regions due to the local resurgence of the pandemic, which typically lasted from several days to two to three months, depending on the severity of the outbreak and local governmental policies. As a result, the paid enrollments of our classroom-based tutoring courses grew slower than expected. For example, we temporarily suspended our classroom-based tutoring courses in Jilin Province from March 2022 to May 2022 due to the regional resurgence of COVID-19 cases and provided online tutoring courses to the concerned students as a substitute. Our business operations have not been materially and adversely affected by the resurgence of the pandemic in Shanghai City in 2022 as we have little offline tutoring service in operation there.

SUMMARY

The following table sets forth the number of cities where we suspended our classroom-based tutoring services by duration in 2021 and 2022, respectively.

	2021	2022 ⁽¹⁾
Number of cities where we suspended classroom-based tutoring		
Within 30 days	30	1
30 to 60 days	55	19
60 to 90 days	5	44
Over 90 days	—	5
Total	90	69

(1) Since 2022 and up to the Latest Practicable Date.

The following table sets forth the number of cities where we suspended our classroom-based tutoring services and the average days of suspension of such affected cities by region in 2021 and 2022, respectively.

	2021		2022 ⁽¹⁾	
	Number of cities affected	Average days of suspension	Number of cities affected	Average days of suspension
Eastern China region	8	33	21	70
Northern China region	19	32	7	82
Southern China region	5	30	5	48
Northwestern China region	24	22	14	54
Northeastern China region	27	40	17	80
Southwestern China region	7	32	5	41

(1) Since 2022 and up to the Latest Practicable Date.

We may continue to experience temporary closedown of individual local operational hubs and classrooms considering the uncertainties surrounding the current state and the future development of the COVID-19 pandemic.

Impact on our employees. We have adopted a flexible work arrangement, allowing our employees to work from home in specific localities as needed, such as Jilin Province and Shanghai City during the regional resurgence period in 2022, which may lead to changes to or suspension of certain employees' daily work. However, we believe that such arrangement would not materially disrupt our business.

Impact on our supply chain. As of the Latest Practicable Date, we had not experienced any major supply disruption.

See “Financial Information — COVID-19 Outbreak and Effects on Our Business” for details of the impact of COVID-19 and our corresponding precautionary measures and social responsibility.

However, we cannot be entirely certain as to when the COVID-19 pandemic will be fully contained, and its impact will be completely alleviated. There remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic, considering the severe global situation and occasional regional resurgence of COVID-19 cases in certain areas in China. We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. See “Risk Factors — Risks Relating to Our Business and Industry — Our business and operations have been, and may continue to be, adversely affected by the COVID-19 pandemic.”

SUMMARY

NO-MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial, operating or trading conditions since June 30, 2022, being the end of the period reported in the Accountant's Report in Appendix I to this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We are applying for Listing under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test, among other things, with reference to (1) our revenue for the year ended December 31, 2021, being RMB3,428.6 million, which is significantly over HK\$500 million as required by Rule 8.05(3) of the Listing Rules; and (2) our expected market capitalization at the time of the Listing, which, based on the low end of the indicative Offer Price range, exceeds HK\$4 billion as required by Rule 8.05(3) of the Listing Rules.

STATISTICS OF THE GLOBAL OFFERING

All statistics in the following table are based on the assumptions that (1) the Global Offering has been completed and 20,000,000 Shares are issued pursuant to the Global Offering; (2) options granted under the Over-allotment Option and the Pre-IPO Share Option Scheme are not exercised; and (3) 2,097,308,000 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK\$9.50 per Share	Based on an Offer Price of HK\$9.90 per Share
	HK\$19,924.4	HK\$20,763.3
Market capitalization of our Share	million	million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽¹⁾	HK\$ 0.43	HK\$ 0.43

(1) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments referred to in Appendix II to this prospectus.

LISTING EXPENSES

We expect to incur a total of approximately RMB69.8 million of listing expenses in connection with the Global Offering, representing approximately 40.1% of the gross proceeds from the Global Offering (assuming an Offer Price of HK\$9.70, being the mid-point of the indicative Offer Price range between HK\$9.50 and HK\$9.90, and assuming that the Over-allotment Option is not exercised), which consist of (1) underwriting-related expenses (including but not limited to commissions and fees) of approximately RMB13.9 million, and (2) non-underwriting related expenses of approximately RMB55.9 million, including (i) fees and expenses of legal advisors and accountants of approximately RMB40.1 million and (ii) other fees and expenses of approximately RMB15.8 million. During the Track Record Period, we incurred listing expenses of approximately RMB33.9 million, out of which approximately RMB32.9 million was charged to our consolidated statements of profit or loss as administrative expenses, while the remaining amount of approximately RMB1.0 million directly attributable to the issuance of Shares will be deducted from equity upon the completion of the Global Offering. We expect to further incur listing expenses of approximately RMB35.9 million upon the completion of the Global Offering, out of which approximately RMB21.2 million is expected to be charged to our consolidated statements of profit or loss and approximately RMB14.7 million is expected to be deducted from equity. The listing expenses above are the best estimate as of the Latest Practicable Date and are for reference only. The actual amount may differ from this estimate.

USE OF PROCEEDS

We estimate that the net proceeds from the Global Offering will be approximately HK\$116.2 million (after deducting the estimated underwriting commissions and other fees and expenses in connection with the Global Offering), assuming an Offer Price of HK\$9.70 per Share, being the mid-point of the indicative range of the Offer Price of HK\$9.50 to HK\$9.90 per Share, and the non-exercise of the Over-allotment Option.

SUMMARY

We currently intend to apply the net proceeds from the Global Offering for the purposes and in the amounts set out follows:

- approximately 52.0% of the net proceeds, or HK\$60.4 million, to enrich our course offerings and expand our student base;
- approximately 28.5% of the net proceeds, or HK\$33.1 million, to enhance our content and technological development capabilities;
- approximately 12.0% of the net proceeds, or HK\$14.0 million, to conduct marketing campaigns primarily for our newly developed courses; and
- approximately 7.5% of the net proceeds, or approximately HK\$8.7 million, for working capital and other general corporate purposes.

See “Future Plans and Use of Proceeds — Use of Proceeds” for details.

RECENT DEVELOPMENT

We expect to record net loss for the year ending December 31, 2022, primarily attributable to fair value losses of financial liabilities at fair value through profit or loss relating to convertible preferred shares issued in our equity financings. The convertible preferred shares will be automatically converted into ordinary shares upon completion of the Global Offering, which will lead to fair value losses calculated as the difference between the implied valuation of the convertible preferred shares at the Offer Price and their carrying value as of June 30, 2022. We do not expect to record further gains or losses in relation to valuation changes in such convertible preferred shares after the Listing.

As advised by our PRC Legal Advisors, as of the date of this prospectus, there has been no regulatory development that may have a material adverse effect on China’s non-formal VET industry.

DEFINITIONS

Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in “Glossary” in this prospectus.

“affiliate”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	the Accounting and Financial Reporting Council of Hong Kong
“Articles of Association” or “Articles”	our articles of association, as adopted on December 20, 2022, and as amended from time to time, a summary of which is contained in Appendix III to this prospectus
“Board” or “Board of Directors”	the board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday) on which banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“Cayman Companies Act”	the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented, or otherwise modified from time to time
“Capital Market Intermediaries”	the capital market intermediaries engaged by our Company as named in the section headed “Directors and Parties Involved in the Global Offering” of this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Company,” “our Company,” “Group,” “our Group,” “Fenbi,” “we” or “us”	Fenbi Ltd. (粉筆有限公司), formerly known successively as Fenbi Education Technology Ltd. and Fenbi Technology Ltd., an exempted company incorporated under the laws of Cayman Islands with limited liability on December 14, 2020, and, except where the context indicated otherwise, all of its subsidiaries, or with respect to the period before our Company became the holding company of our current subsidiaries, the business operated by our present subsidiaries or their predecessors (as the case may be)
“Concert Parties”	Mr. Zhang, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin, being parties to the Concert Party Agreement, and each a “Concert Party”
“Concert Party Agreement”	the agreement entered into among the Concert Parties, further information on which is set out in “History, Reorganization and Corporate Structure — Concert Party Arrangement”
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Fenbi Bluesky and its subsidiaries, the financial accounts of which have been consolidated and accounted for as if it were a subsidiary of our Company by virtue of the Contractual Arrangements
“Contractual Arrangements” or “Fenbi Bluesky Contractual Arrangements”	a series of contractual arrangements we entered into to allow our Company to exercise control over the business operation of the Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom, as more particularly described in “Contractual Arrangements” in this prospectus
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhang, Mr. WEI Liang, Mr. LI Yong, Mr. LI Xin, Chalk Sky Ltd, Chalk Star Ltd, Chalk World Ltd, Chalk Wonder Ltd, Liang Ma Limited, Green Creek Holding Limited and Taurus Fund L.P., all of whom are collectively considered as a group of controlling shareholders for the purpose of the Listing Rules
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company or any one of them
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“F&S Report”	a commissioned industry report prepared by Frost & Sullivan
“F&S Survey”	a commissioned user survey conducted by Frost & Sullivan to better understand, among other things, our users’ profile, preferences and feedback to our products and services, and our reputation in the market
“Fenbi Bluesky”	Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司), a limited liability company established under the laws of the PRC on February 25, 2015, and one of the Consolidated Affiliated Entities

DEFINITIONS

“Fenbi HK”	Fenbi Education Technology (HK) Limited (粉筆教育科技(香港)有限公司), a company incorporated under the laws of Hong Kong with limited liability on January 15, 2021, and a wholly-owned subsidiary of the Company
“Fenbi ShangAn”	Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司), a limited liability company established under the laws of the PRC on April 9, 2021 and an indirect wholly-owned subsidiary of the Company
“Fenbi ChuXin”	Beijing Fenbi ChuXin Technology Co., Ltd. (北京粉筆初心科技有限公司), a limited liability company established under the laws of the PRC on July 22, 2021 and an indirect wholly-owned subsidiary of the Company
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. (弗若斯特沙利文(北京)諮詢有限公司上海分公司), a consulting firm that provides market research and analysis
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 2,000,000 Shares being initially offered for subscription in the Hong Kong Public Offering, subject to reallocation
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited, the branch share registrar and transfer office of our Company in Hong Kong
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 21, 2022, relating to the Hong Kong Public Offering and entered into by, among others, the Joint Sponsors, the Joint Overall Coordinators, the Hong Kong Underwriters and our Company, as further described in “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering” in this prospectus
“IFRS”	International Financial Reporting Standards

DEFINITIONS

“Independent Third Party(ies)”	an individual or a company which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, is not a connected person of the Company within the meaning of the Listing Rules
“International Offer Shares”	the 18,000,000 Offer Shares being initially offered for subscription at the Offer Price under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to any adjustment or reallocation
“International Offering”	the conditional placing of the International Offer Shares at the Offer Price outside the United States in offshore transactions in reliance on in Regulation S under the U.S. Securities Act, as further described in “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of underwriters that are expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering, which is expected to be entered into by, among others, the Joint Sponsors, the Joint Overall Coordinators, the International Underwriters and our Company on or about the Price Determination Date, as further described in “Underwriting — Underwriting Arrangements and Expenses — International Offering” in this prospectus
“Joint Overall Coordinators,” “Joint Sponsor-Overall Coordinators” and “Joint Sponsors”	Citigroup Global Markets Asia Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited
“Joint Global Coordinators,” “Joint Bookrunners” or “Joint Lead Managers”	the joint global coordinators, the joint bookrunners and the joint lead managers as named in “Directors and Parties Involved in the Global Offering” in this prospectus
“Lancai Tianxia”	Shandong Lancai Tianxia Education Technology Co., Ltd. (山東藍彩天下教育科技有限公司), a limited liability company established under the laws of the PRC on October 27, 2020, and one of the Consolidated Affiliated Entities
“Latest Practicable Date”	December 16, 2022, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about January 9, 2023, on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
“Memorandum of Association” or “Memorandum”	Our memorandum of association, conditionally approved and adopted on December 20, 2022 and to become effective on the Listing Date, as amended, supplemented or otherwise modified from time to time
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOE”	Ministry of Education of the PRC (中華人民共和國教育部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHRSS”	Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“Mr. Zhang”	Mr. ZHANG Xiaolong (張小龍), our chairman of the Board, executive Director, chief executive officer and one of the Controlling Shareholders
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“NPC”	National People’s Congress of the PRC (中華人民共和國全國人民代表大會)
“NRTA”	National Radio and Television Administration of the PRC (中華人民共和國國家廣播電視總局), formerly known as the State Administration of Radio, Film and Television (the “SARFT”)
“Ocorian Trust Company”	Ocorian Singapore Trust Company Pte. Ltd., an Independent Third Party and professional trustee company established in Singapore, acting as the trustee of each of ZXL Family Trust and WL Family Trust
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%)
“Offer Shares”	the Hong Kong Offer Shares and the International Offer Shares
“Over-allotment Option”	the option expected to be granted by us to and exercisable by the Joint Overall Coordinators (for themselves and on behalf of the International Underwriters), pursuant to which our Company may be required to allot and issue up to an aggregate of 3,000,000 additional Shares (representing 15% of the Shares initially being offered under the Global Offering) to cover over-allocations in the International Offering, details of which are described in “Structure of the Global Offering — Over-allotment Option” in this prospectus

DEFINITIONS

“PBOC”	the People’s Bank of China (中國人民銀行), the central bank of the PRC
“PRC Legal Advisors”	Jingtian & Gongcheng, being the legal advisors to the Company as to the PRC laws
“Pre-IPO Share Option Scheme”	the pre-IPO equity incentive scheme adopted by the Company on December 31, 2020, as amended from time to time, the principal terms of which are summarized in “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme”
“Price Determination Agreement”	the agreement to be entered into among the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company at or about the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Friday, December 30, 2022 (Hong Kong time), when the Offer Price is determined and, in any event, no later than Friday, January 6, 2023
“Registered Shareholders”	the registered shareholders of Fenbi Bluesky
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganization”	the corporate and business restructuring of our Group conducted in preparation for the Global Offering, details of which are described in “History, Reorganization and Corporate Structure — Corporate Development of Our Group — Reorganization”
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration for Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAMR”	State Administration for Market Regulation of the PRC (國家市場監督管理總局)
“SARFT”	State Administration of Radio, Film and Television of the PRC (國家廣播電影電視總局), currently known as the National Radio and Television Administration (the “NRTA”)
“SAT”	State Administration of Taxation of the PRC (國家稅務總局)
“SCNPC”	Standing Committee of the National People’s Congress of the PRC (中華人民共和國全國人民代表大會常務委員會)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Share Subdivision”	the share subdivision on December 20, 2022, where each of our issued and unissued share with par value of US\$0.0001 each was subdivided into ten shares of our Company with a par value of US\$0.00001, such that the authorized share capital of our Company was US\$50,000 divided into 5,000,000,000 Shares with par value of US\$0.00001 each
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary shares in the share capital of the Company with a par value of US\$0.00001 each
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into on or around the Price Determination Date between Chalk Sky Ltd and the Stabilizing Manager pursuant to which the Stabilizing Manager may borrow up to 3,000,000 Shares from Chalk Sky Ltd to cover over-allocations in the International Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Tencent”	Tencent Holdings Limited (HKEx Stock Code: 700), or Tencent Holdings Limited and/or its subsidiaries, as the case may be
“Tianxia Culture”	Beijing Fenbi Tianxia Culture Communication Co., Ltd. (北京粉筆天下文化傳播有限公司), a limited liability company established under the laws of the PRC on March 25, 2016 and an indirect wholly-owned subsidiary of the Company
“Tianxia Education”	Beijing Fenbi Tianxia Education Technology Co., Ltd. (北京粉筆天下教育科技有限公司), a limited liability company established under the laws of the PRC on November 15, 2016 and an indirect wholly-owned subsidiary of the Company
“top-rated instructor(s)”	instructors ranked at the highest level within our Group, with the ranking based on several factors, including their teaching hours and performance, such as working attitudes, teaching and content development capabilities, and student satisfaction
“Track Record Period”	the period consisting of the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“ WHITE Form eIPO ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of the White Form eIPO Service Provider at www.eipo.com.hk
“ White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“WL Family Trust”	the discretionary trust established by Mr. WEI Liang as the settlor and the protector, with Ocorian Trust Company as the trustee, details of which are set out in “History, Reorganization and Corporate Structure”
“YLBJ”	Beijing Yuanli Education Technology Co., Ltd. (北京猿力教育科技有限公司), a limited liability company established under the laws of the PRC
“ZXL Family Trust”	the discretionary trust established by Mr. ZHANG Xiaolong as the settlor and the protector, with Ocorian Trust Company as the trustee, details of which are set out in “History, Reorganization and Corporate Structure”
“%”	per centum

Translated English names of Chinese natural persons, legal persons, governmental authorities, institutions or other entities for which no official English translation exist are unofficial translations for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

In this prospectus, the terms “associate,” “close associate,” “core connected person,” “connected person,” “connected transaction,” “controlling shareholder,” “subsidiary” and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

GLOSSARY

This glossary contains certain technical terms used in this prospectus. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

“artificial intelligence” or “AI”	intelligence demonstrated by machines, in contrast to the natural intelligence displayed by humans or other animals
“average MAU”	average monthly active users, which, for a certain period, is calculated by dividing the sum of MAUs for each month of such period by the number of months in such period
“CAGR”	compound annual growth rate
“career test preparation”	non-formal education and training of professional knowledge required for the preparation of qualification examinations or certification examinations related to certain occupations, which is a sub-sector of non-formal vocational education and training
“CET 4”	College English Test Level 4, a national English as a foreign language test in the PRC, mainly provided to college students
“CET 6”	College English Test Level 6, a national English as a foreign language test in the PRC, mainly provided to college students
“Civil Servants Examination”	the National Civil Servants Examination and the Regional Civil Servants Examination
“contractual classes”	formal course, the course fees of which are partially or fully refundable if the students complete the classes but fail to pass the examinations as specified in our agreement
“Eastern China region”	includes Jiangsu Province, Shanghai Municipality, Hubei Province, Anhui Province, Zhejiang Province and Fujian Province
“Fenbi online platform”	a series of mobile apps launched by our Group, as well as accompanying portals including websites and Weixin mini-programs
“formal courses”	online courses priced at RMB99 or above and offline courses priced at RMB500 or above; our formal courses are either classified as non-contractual classes or contractual classes from the revenue recognition perspective
“gross billings”	the total book amount of the sales orders of our products and courses placed on our platform in a given period, without deducting any refunds and value-added tax
“MAU”	monthly active users, which refers to the number of active users, i.e., registered users that logged on Fenbi online platform at least once in a given period, in the relevant calendar month
“National Civil Servants Examination”	civil servants examination organized by the central Chinese governments for recruiting central government officers and civil servants

GLOSSARY

“National Judicial Examination”	standardized bar examination administered by the Ministry of Justice of the PRC
“non-contractual classes”	either promotional or formal courses, the course fees of which are recognized over the service period if the students do not withdraw from such classes
“non-formal vocational education and training” or “non-formal VET”	non-formal education and training that provides the necessary knowledge and skills for employment, for the completion of which students can only obtain certificates of completion issued by institutions that are not officially recognized by the governments, excluding, for the purpose of this prospectus, corporate training
“Northern China region”	includes Shandong Province, Hebei Province, Beijing Municipality, Tianjin Municipality and Henan Province
“Northeastern China region”	includes Heilongjiang Province, Jilin Province, Liaoning Province and Inner Mongolia Autonomous Region
“Northwestern China region”	includes Shanxi Province, Shaanxi Province, Gansu Province, Qinghai Province, Xinjiang Uygur Autonomous Region, Ningxia Hui Autonomous Region and Tibet Autonomous Region
“optical character recognition” or “OCR”	the electronic or mechanical conversion of images of typed, handwritten or printed text into machine-encoded text
“paid enrollment(s)”	the cumulative number of purchases of tutoring courses and online learning products (i.e., membership package and challenge exercise in the case of our Company) by students during the given period; a student that purchased multiple products and/or courses in a specific period is counted as multiple paid enrollments in such period
“penetration rate”	the penetration rate of recruitment examination tutoring services or career test preparation services in China is calculated by dividing the unique student enrollments of such services by the total number of applicants for the relevant examinations
“promotional courses”	online and offline courses priced less than RMB99 and RMB500, respectively; all promotional courses are classified as non-contractual classes from the revenue recognition perspective
“public institution(s)”	public interest organization(s) established by the government with state-owned assets, which are engaged in activities typically in education, science and technology, culture and healthcare
“R&D”	research and development
“real-time communications” or “RTC”	the near simultaneous exchange of information from the sender to the receiver in a connection with negligible latency

GLOSSARY

“Regional Civil Servants Examination”	civil servants examination organized by the Chinese governments at provincial or city level for recruiting local government officers and civil servants
“recruitment examination tutoring”	a sub-sector of career test preparation targeting students seeking to secure a job position in governmental or public institutions or certain professions and industries of similar nature, which mainly includes civil servants examination tutoring, public institution employees examination tutoring and teacher recruitment examination tutoring
“registered user(s)”	a user account registered on Fenbi online platform with unique credentials, such as a mobile number or an email address; if an individual registers multiple user accounts using different credentials, multiple registered users will be counted
“Southern China region”	includes Guangdong Province, Hunan Province, Jiangxi Province and Hainan Province
“Southwestern China region”	includes Yunnan Province, Sichuan Province, Guizhou Province, Chongqing Municipality and Guangxi Zhuang Autonomous Region
“teacher recruitment examination”	recruitment examination of government-sponsored full-time teachers for pre-school, primary and secondary education
“unique students enrollment(s)”	the arithmetic total of the number of students enrolled in various recruitment examination tutoring services or career test preparation services in China, where applicable, during a given period; a student will be counted only once if he or she attends different tutoring courses for the same examination in such period

FORWARD-LOOKING STATEMENTS

We have included in this prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties, including the risk factors described in this prospectus. Forward-looking statements can be identified by words such as “may,” “will,” “should,” “would,” “could,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “continue,” “seek,” “estimate” or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, statements we make regarding our projections, business strategy and development activities as well as other capital spending, financing sources, the effects of regulation, expectations concerning future operations, margins, profitability and competition. The foregoing is not an exclusive list of all forward-looking statements we make.

Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. We give no assurance that these expectations and assumptions will prove to have been correct. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. Our results may differ materially from those contemplated by the forward-looking statements. They are neither statements of historical fact nor guarantees or assurances of future performance. We caution you therefore against placing undue reliance on any of these forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political economic, business, competitive, market and regulatory conditions and the following:

- our business prospects;
- our business strategies and plans to achieve these strategies;
- future developments, trends and conditions in and competitive environment for the industries and markets in which we operate;
- general economic, political and business conditions in the markets where we operate;
- our financial condition and performance;
- our capital expenditure plans;
- changes to the regulatory environment, policies, operating conditions of and general outlook in the industries and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- the amount and nature of, and potential for, future development of our business;
- the actions of and developments affecting our competitors;
- the length and severity of the recent COVID-19 outbreak and its impact on our business and industry; and

FORWARD-LOOKING STATEMENTS

- certain statements in various sections, including “Risk Factors,” “Industry Overview,” “Regulation,” “Business,” “Financial Information,” “Relationship with Our Controlling Shareholders” and “Future Plans and Use of Proceeds” with respect to trends in interest rates, foreign exchange rates, prices, operations, margins, risk management and overall market trends.

Any forward-looking statement made by us in this prospectus speaks only as of the date on which it is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Subject to the requirements of applicable laws, rules and regulations, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

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

The risks and uncertainties identified below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business and results of operations.

Our business and operations involve certain risks and uncertainties, many of which are beyond our control. These risks can be broadly categorized as (1) risks relating to our business and industry, (2) risks relating to our contractual arrangements, (3) risks relating to doing business in China, and (4) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

If we fail to manage our growth effectively, our business, results of operations and financial condition could be materially and adversely affected.

We experienced rapid growth in, among other things, the number of students we served and the number of courses and products we delivered. Our rapid growth has placed, and may continue to place, significant demands on our management and personnel, as well as our operational, technological, financial and other resources. To maintain our growth, we need to continue to attract more students, enrich our course offerings, attract and retain qualified teaching staff and other employees, and enhance our technology and infrastructure. We will also be required to refine our operational, financial and managerial controls and reporting systems and procedures, and reinforce the training and management of our teaching staff and other employees.

We have invested significant resources to rapidly establish an extensive offline network. Specifically, we incurred substantial costs to assemble a high-caliber teaching team to support our classroom-based course offerings, which affected our results of operations in the short term. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our gross profit margin was 46.2%, 23.0%, 24.5%, 17.1% and 47.5%, respectively. In particular, for our classroom-based tutoring services, we recorded gross margin of (11.1)% and (0.3)% in 2020 and 2021, respectively. In addition, we recorded net profit of RMB154.1 million in 2019 and net loss of RMB484.5 million, RMB2,046.0 million and RMB391.8 million in 2020, 2021 and the six months ended June 30, 2022, respectively. To effectively manage our growth and improve our profitability, we have optimized our employee structure and sought to increase the utilization and efficiency of our teaching staff. However, we cannot assure you that our current and planned personnel, systems, procedures and controls will be adequate to support our future operations or that we will be able to effectively manage our growth or recruit, train and retain qualified personnel to support the operation of an extensive network of local operational hubs. If we fail to effectively manage the growth of our business, our costs and expenses may increase more than we have planned, and we may not successfully attract a sufficient number of students and teaching staff in a cost-effective manner, respond to competition and other challenges, or otherwise execute our business strategies and capitalize on business opportunities. Our ability to effectively implement our strategies and manage any significant growth of our business will depend on a number of factors, including our ability to:

- control our costs and expenses and maintain or increase our margins and profitability;
- increase our total paid enrollments and course fee level;

RISK FACTORS

- recruit, train, retain and motivate new employees, in particular our teaching staff and technological and content development professionals;
- implement enhancements and improvements to technological systems and infrastructure;
- improve content offerings to make them appeal to existing and prospective students;
- increase the awareness of our brand and protect our reputation;
- keep up with evolving industry standards, technologies and market developments;
- compete effectively against existing competitors and new market entrants;
- improve our operational, financial and managerial controls and efficiencies; and
- protect and further develop our intellectual property rights.

These activities may require significant capital expenditures and investment of valuable management and financial resources, and our growth will continue to place significant demands on such resources. We cannot assure you that we will be able to effectively manage any future growth in an efficient, cost-effective and timely manner, or at all. If we do not effectively manage the growth of our business and operations, our reputation, results of operations and overall business and prospects could be adversely affected. We may also have to optimize our employee structure to adapt to the evolving market and business conditions to the extent deemed necessary or desirable by our management, which may adversely affect our business, results of operations, financial condition and reputation.

Furthermore, our offline business has significantly contributed to our recent growth since the large-scale launch of our classroom-based tutoring in May 2020. We believe we have successfully built our nationwide coverage and established local operational hubs in strategic localities. Going forward, we plan to leverage the existing operational hubs to increase our paid enrollments in a cost-effective manner. Our recent growth may not be indicative of our growth rate in the future. We may not be able to sustain revenue growth consistent with recent history or at all.

We have a limited operating history with our OMO integration model, which makes it difficult to forecast our revenue growth and evaluate our business and prospects.

We operate in China's career test preparation industry with proprietary technology infrastructure. Leveraging the user base and course offerings accumulated through our Fenbi online platform, we began to provide classroom-based tutoring courses on a trial basis in April 2017 and launched our offline course offerings on a large-scale basis in May 2020. We aim to integrate online and offline services to optimize the teaching efficacy and efficiency of our instructors and the learning experience of our students, which could serve to expand our revenue streams. We had established a nationwide offline network of local operational hubs to support our expansion. Our revenue increased by 83.7% from RMB1,160.3 million in 2019 to RMB2,132.1 million in 2020, and further increased by 60.8% to RMB3,428.6 million in 2021. However, we recorded gross margin of (11.1)% and (0.3)% for our classroom-based tutoring services in 2020 and 2021, respectively, and recorded net loss of RMB484.5 million and RMB2,046.0 million in the same periods, respectively. To effectively manage our growth and improve our profitability and taking into account the impact of the COVID-19 pandemic on our classroom-based tutoring in the near term, we strategically adjusted the number of our operational hubs by closing 188 operational hubs in 2021 and 88 operational hubs in the six months ended June 30, 2022. As such, our revenue decreased by 23.0% from RMB1,885.4 million in the six months ended June 30, 2021 to RMB1,451.0 million in the six months ended June 30, 2022. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, revenue generated from our classroom-based tutoring services accounted for 30.5%, 41.6%, 47.2%, 53.3% and 36.1% of our total revenue in the same periods, respectively. Our limited operating history under the OMO integration model may not serve as

RISK FACTORS

an adequate basis for evaluating our results of operations and prospects. We have encountered, and may continue to encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly evolving industries, such as managing our cost structure and profitability level and addressing market competition and regulatory developments. If we do not successfully address these risks and uncertainties, our results of operations and financial condition could deviate materially from our estimates and forecasts, which could materially and adversely impact our business and the market price of our Shares.

We face intense competition, which could divert students to our competitors and lead to pricing pressure and loss of market shares.

The career test preparation industry in China is highly competitive, according to the F&S Report, and we expect competition in this sector to persist and intensify with new market entrants. Our business model may be imitated by current or future competitors, some of whom may have longer operating histories, greater brand recognition, larger teams of teaching staff, or greater financial, technological, marketing or other resources than we do. They may be able to devote greater resources than us to the development and promotion of their courses and products, and may be able to react more promptly and effectively to the evolving industry trends, student demands, testing materials, admission standards or technological developments. Our competitors may adopt similar curricula and marketing approaches, with different pricing and service packages that may become more attractive than our offerings. In addition, as we continuously expand our course offerings, we may face competition from career test preparation service providers that focus on a particular area where we just entered, and are able to devote all of their resources to that business line. Leveraging their established experience, these competitors may be able to adapt to changing student preferences and market conditions more quickly than we do. These competitors may, therefore, have a competitive advantage over us with respect to such areas. We cannot assure you that we will be able to compete effectively with such present and future competitors. Our paid enrollments may decrease due to intense competition, which may require us to reduce course fees and/or increase spending to attract and retain students and high-caliber teaching staff, or pursue new market opportunities. As a result, our revenue and/or profitability may decline. Our failure to compete effectively may also erode our market share, which could further materially and adversely affect our business, results of operations and financial condition.

We had net loss, net current liabilities, net liabilities and net cash used in operating activities during the Track Record Period, and may continue to incur net loss, net current liabilities, net liabilities and net cash used in operating activities in the foreseeable future, which can expose us to liquidity risks.

We recorded net loss of RMB484.5 million, RMB2,046.0 million, RMB945.5 million and RMB391.8 million in 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, primarily due to the rapid expansion of our classroom-based tutoring business that had not yielded the expected results. We had net current liabilities of RMB532.8 million as of December 31, 2020, primarily relating to refund liabilities of RMB757.8 million primarily as a result of the increased paid enrollments of our contractual classes and trade and other payables of RMB312.5 million attributable to an increase in employee benefits payables driven by an increase in our employee headcount. We had net current assets of RMB27.7 million as of December 31, 2021, primarily attributable to proceeds from our equity financing, which was completed in June 2021. We had net liabilities of RMB6,576.2 million, RMB8,234.6 million and RMB8,938.5 million as of December 31, 2020 and 2021 and June 30, 2022, respectively, primarily attributable to financial liabilities at fair value through profit or loss relating to convertible preferred shares issued in our equity financings, which will be re-designated as equity upon the Listing. In 2021, our net cash used in operating activities was RMB915.1 million. We may continue to record net loss and net cash used in operating activities as we expand, and we cannot assure you that we will not incur net current liabilities in the future. A net current liabilities position can expose us to the risk of shortfalls in liquidity, in which case our ability to raise funds, obtain bank loans and declare and pay dividends will be materially and adversely affected.

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Our profitability and liquidity position is dependent on, among other factors, our ability to grow paid enrollments and course fee level, enrich content offerings, improve teaching quality, implement effective pricing strategies, manage our refund liabilities, and increase operational efficiency. If we are unable to generate adequate revenue to offset the associated cost and expenses or effectively manage our cost and expenses structure, we may continue to incur significant loss and may not be able to achieve or subsequently maintain profitability and improve liquidity position.

If we fail to continue to attract students and increase their purchases and spending with us, our business, results of operations and financial condition could be materially and adversely affected.

The success of our business depends primarily on the number of paid enrollments and the amount of fees that our students are willing to pay. Therefore, our ability to continue to attract students to purchase our courses and products and increase their spending with us is critical to our sustainable growth and continued success. This in turn will depend on, among others, the following factors, some of which are beyond our control:

- our reputation which is mainly driven by the quality and coverage of our courses and products;
- our ability to develop new content and enhance or adapt existing content to respond to changes in market trends and student demands;
- our ability to train and retain qualified instructors and other teaching staff;
- our ability to manage our growth without compromising our teaching quality;
- our ability to leverage technological innovations to improve our Fenbi online platform;
- our ability to market our courses and products to a broader base of prospective students;
- our ability to compete effectively in China's career test preparation industry;
- our ability to respond to evolving regulations in China's career test preparation industry and other laws applicable to our operations; and
- the prospect of the career test preparation industry, which may be affected by, among other things, the quantity and attractiveness of government-sponsored positions and other job opportunities that our students would pursue.

In addition, as approximately 67.5% of all students who paid for our offline courses in 2021 were converted from students who had previously paid for our online offerings, if we fail to maintain the rapid growth of our online user base or if our online service offerings fail to appeal to prospective students, the paid enrollments for our classroom-based business may experience a corresponding decrease. If we are unable to continue to attract students to purchase our course packages or increase their spending with us, our revenue may decline, which may have a material adverse effect on our business, results of operations and financial condition.

If we fail to continue to engage, train and retain qualified teaching staff, we may not be able to maintain consistent teaching quality, and our business, results of operations and financial condition may be materially and adversely affected.

We have a dedicated team of teaching staff, including instructors and other supporting staff, which are critical to maintaining the quality of our tutoring services. We have implemented comprehensive measures, including selective hiring process, systematic continuing training, and competitive compensation packages based on rigorous on-going evaluation, to recruit, train and retain our teaching

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staff. See “Business — Our Teaching Staff.” There is a limited pool of qualified teaching staff in the industry, and we may need to offer higher compensation packages, better trainings, more attractive career trajectory and other benefits to attract and retain qualified teaching staff, which could be costly and burdensome. As we expand and develop new courses, we may need to recruit additional qualified teaching staff with appropriate skillsets and backgrounds to effectively deliver our course offerings. We cannot assure you that we will be able to effectively recruit and train such teaching staff in a timely manner or on commercially reasonable terms, or at all. Furthermore, given other potential opportunities for our teaching staff, some of them may choose to leave us over time. Departure of qualified teaching staff may reduce the attractiveness of our course offerings and negatively impact our paid enrollments. Furthermore, if such qualified teaching staff, in particular top-rated instructors, join our competitors, students may decide to follow them and purchase the courses offered by our competitors, which may further weaken our competitive position in the industry. In addition, we need to continue to offer systematic on-board and on-the-job training to our teaching staff in order to ensure our teaching quality and efficacy, which may be costly and may not be able to achieve the desired effect. We may not always be able to recruit, train and retain a sufficient number of qualified teaching staff to keep pace with our growth and maintain consistent teaching quality. We may also face significant competition in recruiting qualified teaching staff from our competitors or from other opportunities that are perceived as more desirable. Moreover, we optimized the structure of our teaching team during the Track Record Period, which could pose risks to the quality of our course offerings. The number of our instructors decreased from 7,276 as of June 30, 2021 to 4,520 as of December 31, 2021 and further to 3,796 as of June 30, 2022. The turnover rate of our full-time instructors, as calculated by dividing the number of departed instructors in the relevant period by the average number of instructors at the beginning and end of the same period, was 41.6%, 42.3%, 108.9% and 20.2% for 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. See “Business — Our Teaching Staff — Our Instructors.” A shortage of qualified teaching staff, a high instructor turnover rate, a decrease in our teaching quality, whether actual or perceived, or a significant increase in the cost to recruit or retain qualified teaching staff would have a material adverse effect on our reputation, business, results of operations and financial condition.

We may not be able to develop content offerings in a timely and cost-effective manner to make them appeal to existing and prospective students, or at all.

We offer a comprehensive suite of career test preparation tutoring courses designed for adult students pursuing careers in government-sponsored institutions and a number of professions and industries, such as teaching, healthcare, accounting, construction and law. In addition to our online systematic large-class courses, we began to offer online premium courses with personalized tutoring services in June 2020, targeting students in need of more individual attention and targeted support. We also expanded our course offerings to offline markets on a large-scale basis in May 2020. Our content development team is dedicated to developing, updating and improving our course curricula and materials to react to the latest industry trends and student preferences. The updates and improvements of our existing courses and the development of new courses may not be accepted by existing or prospective students. As we continue to grow and expand into new course subjects and course types, we may fail to attract students or maintain a high level of student satisfaction as we may have limited or no prior experience for these new offerings. Even if we are able to develop acceptable new courses, we may not be able to introduce them as quickly as students require or as quickly as our competitors introduce competing offerings, as the timing is subject to a number of risks and uncertainties, such as unexpected technical, operational, logistical, regulatory or other obstacles. Moreover, we cannot assure you that any of the content will compete effectively and achieve the quality or popularity of those developed by our competitors, achieve widespread market acceptance, or generate the desired level of revenue. Furthermore, offering new course curricula and learning materials or upgrading existing ones may require us to commit significant resources and make significant investments in content development. If we are unsuccessful in addressing any of the risks and uncertainties relating to content development, our business, results of operations and financial condition may be materially and adversely affected.

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If we fail to develop and apply advanced technologies to support and optimize our online products and services, we may lose market share and our business may be materially and adversely affected.

We believe our technologies are critical to our business. Over the years, we have utilized various core technologies, including RTC, big data, artificial intelligence, OCR, cloud technologies and other advanced technological applications, to support our online products and services. See “Business — Our Technology Infrastructure and Applications.” The online career test preparation industry is subject to rapid technological changes and innovation. Our technologies may become outdated, and we may have difficulties in following and adapting to technological changes in the industry in a timely and cost-effective manner. New technologies and products developed and introduced by our competitors could render our offerings less attractive or even obsolete, thus materially affecting our business and prospects. In addition, our substantial investments in advanced technologies and innovation may not produce expected results. If we fail to continue to develop, innovate and utilize advanced technologies or if our competitors develop or apply more advanced technologies, our business, results of operations and financial condition could be materially and adversely affected.

Excessive refunds or potential refund disputes may negatively affect our results of operations, financial condition and reputation.

The course fees for our contractual classes are partially or fully refundable if the students complete the classes but fail to pass the examinations as specified in our agreement. During the Track Record Period, for partially refundable contractual classes, the proportion of the total course fees that are subject to refund generally ranged from 65% to 70%. Students who purchase our “challenge exercise” product will be granted a partial or full refund of the purchase price if they achieve the target score within a prescribed period. In addition, for all types of classes, if students decide to withdraw from the course, we may allow refunds in proportion to the remaining courses at the time of refund request initiation. We had refund liabilities of RMB196.1 million, RMB757.8 million, RMB680.3 million and RMB685.0 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. See “Financial Information — Discussion of Major Balance Sheet Items — Refund Liabilities.” The number of refund requests and the amount of refunds for a certain period could be affected by a number of factors, many of which are beyond our control. These factors include, without limitation, a change of mind of our students about taking the relevant examinations, a change in the examination schedule or recruitment plan, compromised access to offline courses amid the COVID-19 outbreak, student dissatisfaction with our teaching quality and our content offerings. As such, the refund rates were subject to fluctuations during the Track Record Period as a result of, among others, delayed examinations amid the COVID-19 pandemic, and therefore the refund rate of a given period may not be indicative of revenue recognized in the same period, as the latter would not be significantly affected by the postponement of examinations due to the relatively short service periods of our course offerings.

The overall refund rates, as calculated by dividing the amount of course fees refunded in a given period by the amount of course fees collected in the same period, increased from 15.9% in 2019 to 31.3% in 2020 and further to 47.7% in 2021, primarily due to an increase in the no-pass refund rates, which was in turn because (1) the contractual classes we offered in 2019 were primarily relating to interview tests, the no-pass refund rates of which were relatively lower than those of the written tests, while we launched written test contractual classes and fully refundable contractual classes in 2020 and 2021, and (2) a portion of the refunds for courses relating to the 2020 Regional Civil Servants Examinations were delayed and carried out in 2021 as the relevant examinations were postponed due to the COVID-19 outbreak. The overall refund rates in terms of course fees collected decreased to 33.2% in the six months ended June 30, 2022, primarily because the Regional Civil Servants Examinations originally scheduled in the first half of 2022 had been postponed to the second half, and accordingly the related actual no-pass refund requests had not been received by us in the six months ended June 30, 2022. Specifically, the no-pass refund rates for our contractual classes increased from 23.7% in 2019 to 35.1% in 2020 and further to 58.5% in 2021, and subsequently decreased to 45.0% in the six months

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ended June 30, 2022. The overall refund rates for our online tutoring services were 9.4%, 19.2%, 18.4% and 21.1% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, and the overall refunds rates for our classroom-based tutoring services were 28.6%, 37.7%, 62.0% and 47.6% in the same periods, respectively. Excessive refund payments that we may be required to make to our students, as well as the expenses we may incur for processing refunds and resolving refund disputes, could adversely affect our liquidity and working capital. A high volume of refunds and refund disputes may also generate negative publicity, which could materially and adversely affect our reputation, business, results of operations and financial condition.

If we fail to maintain and enhance our brand image and generate positive publicity, or if we incur excessive customer acquisition cost, our business, results of operations and financial condition could be materially and adversely affected.

We believe that the market recognition of our “Fenbi (粉筆)” brand has significantly contributed to the success of our business, and that maintaining and enhancing our brand recognition is critical to sustaining our competitive advantage.

We have mainly relied on word-of-mouth referrals to attract prospective students. We also use various branding and marketing methods to promote our brand and course offerings, such as through our Fenbi online platform, direct sales force, offline events and social media platforms. See “Business — Branding and Marketing.” We cannot assure you that these or our other marketing efforts will be successful in promoting our brand to remain competitive. In addition, in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our selling and marketing expenses were RMB116.2 million, RMB404.9 million, RMB704.1 million, RMB385.9 million and RMB253.1 million, respectively, representing 10.0%, 19.0%, 20.5%, 20.5% and 17.4% of our total revenue for the same periods, respectively. Our customer acquisition cost as measured by selling and marketing expenses per paid enrollment was RMB19.5, RMB42.1, RMB72.0, RMB70.3 and RMB61.4, respectively, in the same periods. We may also conduct marketing campaigns and use various other marketing strategies to promote, among others, our newly developed online and classroom-based courses, which may further increase our selling and marketing expenses. If we are unable to further enhance our brand recognition and increase awareness of our services and products, or if we incur excessive customer acquisition cost, our business and results of operations may be materially and adversely affected.

In addition, any negative publicity about us, our management, our business partners and other stakeholders, and the industry in which we operate can harm our brand recognition. Negative publicity, regardless of merits, could be related to a wide variety of matters, including but not limited to:

- alleged misconduct or other improper activities committed by our students or our management team, teaching staff and other employees, including misrepresentation made by our employees to potential students during sales and marketing activities, and other fraudulent activities to artificially inflate the popularity of our course or product offerings;
- false or malicious allegations or rumors about us or our management, Shareholders, affiliates, and teaching staff and other employees;
- malicious harassment or unfair competition acts by third parties;
- complaints by our students about our services, such as complaints about our teaching quality, pricing policy, refund policy and the stability of our online platform, and sales and marketing activities;
- refund disputes between us and our students;

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- employment-related allegations relating to dismissal, employment discrimination, and wage and hour violations, such as those relating to our employee structure optimization during the Track Record Period;
- governmental and regulatory investigations or penalties resulting from our failure to comply with applicable laws and regulations; and
- governmental or regulatory penalties imposed on our Shareholders for any misconduct, whether or not it involves us or our business operations.

If we are unable to defuse negative press coverage about our Company, our brand may suffer and our reputation may be materially and adversely affected.

Moreover, there has been an increasing use of social media platforms and other forms of internet-based communications. The availability of information on such online channels is virtually immediate as is its impact, which leaves us little time to respond to or mitigate any adverse effect. Our success depends, in part, on our ability to generate positive student feedback and minimize negative feedback on social media channels where existing and prospective students seek and share information. For example, if our students are dissatisfied with any action we take or change we implement in our course offerings, their online commentary to this effect could negatively affect our brand and reputation. Information concerning our Company, management, Shareholders, affiliates, and teaching staff and other employees may also be posted on such social media channels at any time. The risks associated with any such negative publicity or incorrect information cannot be eliminated or mitigated and may materially harm our reputation, business, results of operations and financial condition.

Our business and operations have been, and may continue to be, adversely affected by the COVID-19 pandemic.

A novel strain of coronavirus, known as COVID-19, has severely affected China and many other countries. On March 11, 2020, the World Health Organization declared COVID-19 a global pandemic. Many businesses and social activities in China and other countries and regions have been severely disrupted, particularly in the first quarter of 2020, including us. Government efforts to contain the spread of COVID-19, including city lockdowns, “stay-at-home” orders, travel restrictions and other emergency quarantines, have caused significant and unprecedented disruptions to the global and Chinese economy and normal business operations across sectors. For example, during the Track Record Period and up to the Latest Practicable Date, over 60 major national or provincial recruitment and qualification examinations were postponed as a result of the COVID-19 outbreak, such as the 2020 Public Institution Employee Recruitment Examination of Guangdong Province and the 2021 National Civil Servants Examination, which required us to postpone relevant course delivery, leading to delayed revenue recognition. In particular, in 2022, several recruitment and qualification examinations had been postponed for months compared to their original schedules. For example, the 2022 Multi-provincial Unified Civil Servants Examination, which involves more than 20 provinces, was delayed from March 2022 to July 2022. In addition, as a result of the regional resurgence of COVID-19 cases in China, certain municipal level teacher qualification and recruitment examinations originally scheduled in the first half of 2022 had been postponed to the second half, and certain municipal level teacher qualification examinations originally scheduled in October 2022 had tentatively been postponed to 2023. The 2023 National Civil Servants Examination originally scheduled in December 2022 has been postponed to January 2023. The 2023 Regional Civil Servants Examinations for Beijing City and Shandong Province originally scheduled in December 2022 were also postponed, with the new examination dates to be determined. On the other hand, several other examinations were held earlier than scheduled, such as certain Regional Civil Servants Examinations in 2021, which resulted in shortened service periods and lowered course fees we charged and, therefore, decreased revenue. Moreover, as mandated shutdowns went into effect across China in early 2020 when the COVID-19 outbreak peaked in China, we experienced nationwide suspension of our classroom-based tutoring courses from January 2020 to May 2020. After that, we from time to time experienced regional

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suspension of our classroom-based tutoring courses in over 100 cities across 29 provinces, municipalities, and autonomous regions due to the restrictions on offline activities amid the local resurgence of the pandemic. Specifically, in 2021, we suspended our classroom-based tutoring courses in approximately five cities for 60 to 90 days, approximately 55 cities for 30 to 60 days, and approximately 30 cities for less than 30 days; since 2022 and up to the Latest Practicable Date, we suspended our classroom-based tutoring courses in approximately five cities for over 90 days, approximately 44 cities for 60 to 90 days, approximately 19 cities for 30 to 60 days, and approximately one city for less than 30 days. As a result, the paid enrollments of our classroom-based tutoring courses grew slower than expected. However, we continued to incur relevant employee benefit expenses and fixed cost and expenses relating to the relevant leased properties on which we operate our classroom-based tutoring services, which adversely affected our results of operations and profitability. For details of the impact of COVID-19 on our business, results of operations and financial condition, see “Financial Information — COVID-19 Outbreak and Effects on Our Business.”

Although the Chinese government has gradually lifted restrictions and quarantine measures in China, we cannot assure you that our business volume and growth rate will fully recover in the near future due to the uncertainties associated with the development of COVID-19. There remain significant uncertainties surrounding the COVID-19 outbreak and its further impact on our business and operations, considering the severe global situation and the recent regional resurgence of COVID-19 cases in certain areas in China. Should there be an escalation of the spread, China may again take strict emergency measures to combat the spread of the virus, including travel restrictions, mandatory cessations of business operations including offline tutoring services, mandatory quarantines, work-from-home and other alternative working arrangements, the postponement of various recruitment and qualification examinations, and limitations on social and public gatherings and lockdowns of cities or regions, which may impact our business. As a result, the extent of the disruption to our business and the related impact on our financial results and outlook cannot be precisely estimated at this time. We are continuously evaluating its impact on our business, results of operations and financial condition, which we believe will depend on the duration of the pandemic and the government’s responsive measures. The potential negative impact brought by and the duration of the COVID-19 outbreak may be difficult to assess or predict as the actual effects will depend on many factors beyond our control. If the outbreak persists or escalates, we may be subject to further negative impact on our business operations, results of operations and financial condition.

We have conducted, and will continue to conduct, measures to control the risk of virus spread in our business operations, including purchasing disinfection products, distributing masks for employees, and requiring all employees to declare their recent travel history. However, if any of our employees, especially our teaching staff, has contracted or is suspected of having contracted any contagious disease or condition, local governments may require such employee to be quarantined and the related offices, tutoring facilities and other premises to be closed and disinfected. As a result, our business operations would be adversely affected.

Uncertainties exist in relation to new legislation or proposed changes in the PRC regulatory requirements regarding private education, which may materially and adversely affect our business, results of operations and financial condition.

The private education industry in China is subject to regulations in various aspects. Relevant rules and regulations are relatively new and evolving and could be changed to accommodate the development of the private education, including the online private education markets.

For example, pursuant to the amended Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法) (the “Amended Private Education Law”), private schools are required to obtain a private school operating permit. On April 7, 2021, the State Council officially promulgated the revised Regulations on the Implementation of the Law for Promoting Private Education of the PRC (中華人民共和國民辦教育促進法實施條例) (the “2021 Revised Regulations”), which became effective on September 1, 2021. According to the 2021 Revised Regulations, private schools to carry out training

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and educational activities online using internet technology shall obtain the corresponding private school operating permits. The 2021 Revised Regulations further stipulates that, private schools that carry out training and educational activities online using internet technology shall establish and implement internet security management systems and technical measures for security protection as required by law, and shall, upon discovery of the release or transmission of any information prohibited by laws or administrative regulations from release or transmission, immediately have the transmission stopped and remove or otherwise dispose of the information to prevent its dissemination, retain related records, and report the case to relevant authorities. See “Regulation — Regulations Related to Private Education.” However, it remains unclear under the 2021 Revised Regulations as to whether and how a non-formal VET service provider like us, especially in relation to our online tutoring services, needs to comply with the operating permit requirement. Moreover, as the 2021 Revised Regulations were recently promulgated and became effective, there are still substantial uncertainties as to how it will be interpreted and enforced, and whether and how local governments would promulgate rules related to the filing or licensing requirement applicable to non-formal VET service providers like us. See “— We face uncertainties with respect to the development of regulatory requirements on operating licenses, permits and approvals for our operations in China. If we fail to obtain or renew requisite licenses, permits or approvals in a timely manner or obtain newly required ones due to adverse changes in regulations or policies, it could have a material adverse effect on our business, results of operations and financial condition.”

The PRC governments may also increase the level of regulatory scrutiny on the private education industry, and new laws and regulations may be enacted to the disadvantages of our business. Regulators may also view matters or interpret current laws and regulations differently than they have in the past or in a manner adverse to our business. For example, in July 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly issued the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見), following which a number of municipalities have issued implementation measures. Although we are not subject to such opinions and implementation measures as a non-formal VET service provider targeting adult students, we cannot assure you that some of the provisions of the foregoing opinions will not be applied by analogy to all service providers in the private education industry, such as the provision that prepayments of tutoring fees shall be preserved in a specific bank escrow account and that the prepayments of tutoring fees shall not cover a period of over three months or over 60 classes. We also cannot assure you that we will not be subject to heightened regulations on any critical aspects of our daily operations, such as course coverage, course delivery mode, pricing and marketing activities. For example, while there has been no specific restrictions and requirements on marketing activities by non-formal VET service providers, including us, any heightened regulatory scrutiny on the content and manner of our marketing efforts may harm our ability to promote our services and attract new students, and may increase our selling and marketing expenses, all of which could adversely affect our business, results of operations and financial condition. If any of the foregoing happens, we may fail to adapt to such changes timely and effectively, and we may incur significant compliance costs in this process. Our liquidity and working capital may also be adversely affected. Any heightened regulatory scrutiny or action may impose conflicting obligations on us, which could impede our ability to continue our operations and, in turn, materially and adversely affect our business, results of operations and financial condition.

We face uncertainties with respect to the development of regulatory requirements on operating licenses, permits and approvals for our operations in China. If we fail to obtain or renew requisite licenses, permits or approvals in a timely manner or obtain newly required ones due to adverse changes in regulations or policies, it could have a material adverse effect on our business, results of operations and financial condition.

We are subject to government regulations for all material aspects of our operations in China. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in “Business — Licenses, Permits and Approvals,” we had obtained all licenses, permits, and approvals necessary to conduct our operations in all material respects in China. However, the interpretation or implementation of existing laws and regulations are subject to changes from time

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to time, and the implementation of new laws and regulations is subject to uncertainties. If government authorities determine that our operations fall within the scope of business operations that require additional licenses, permits or approvals, we may not be able to obtain such licenses, permits or approvals in a timely manner or on commercially reasonable terms or at all, and failure to obtain such licenses, permits or approvals may subject us to fines, legal sanctions or an order to suspend our related operations. Moreover, we may fail to renew or update any of our existing licenses and permits in a timely manner and on commercially reasonable terms, or at all, which could materially and adversely affect our business, results of operations and financial condition. Government authorities may also from time to time issue new laws, rules and regulations and enhance enforcement of existing laws, rules and regulations, which could require us to obtain new and additional licenses, permits or approvals. Considerable uncertainties could exist with respect to the interpretation and implementation of existing and future laws and regulations governing our business activities. If we are not able to comply with the applicable legal requirements, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, or suspension of our non-compliant operations, any of which may materially and adversely affect our business, results of operations and financial condition.

As the internet industry and education industry in China are subject to strict regulation, we are required to obtain and maintain all necessary approvals, licenses or permits applicable to our business operations and make all necessary registration and filings for our online tutoring services in China. We hold a Value-added Telecommunications Business Operating License for Internet Information Service and a License for the Production and Operation of Radio and Television Programs through Fenbi Bluesky, our PRC operating entity. We may be required to apply for and obtain additional licenses or permits for our online operations as the interpretation and implementation of current PRC laws and regulations are still evolving, and new laws and regulations may also be promulgated.

For example, the Administrative Regulations on Internet Audio-Visual Program Service (互聯網視聽節目服務管理規定) (the “Audio-Visual Regulations”) requires any entity engaged in certain audio-visual program services via the internet to hold a License for Online Transmission of Audio-visual Programs (信息網絡傳播視聽節目許可證) (the “AVSP”). According to the Circular on Strengthening the Administration of the Online Show Live Streaming and E-commerce Live Streaming (關於加強網絡秀場直播和電商直播管理的通知) (“Circular 78”) issued by the NRTA on November 12, 2020, online platforms that provide online show live streaming or e-commerce live streaming services shall register with the National Internet Audio-visual Platforms Information Management System (全國網絡視聽平台信息管理系統). The Circular on the Guiding Opinions on Strengthening Standardized Management of Online Live Streaming (關於加強網絡直播規範管理工作的指導意見), which was issued on February 9, 2021, further provides that live streaming platforms that provide online audio-visual program services must obtain an AVSP (or complete the registration with the National Internet Audio-visual Platforms Information Management System) and complete the ICP filing procedure. However, as of the date of this prospectus, only wholly state-owned or state-controlled enterprises are eligible to apply for the AVSP according to the Audio-Visual Regulations. As a result, we have not been able to obtain an AVSP as we are not a wholly state-owned or state-controlled enterprise. The regulations and policies for private enterprises to conduct audio-visual business are being formulated and have not yet been promulgated, and in practice, many private enterprises engaging in the internet audio-visual business have not obtained the AVSP or complete the registration procedure.

Pursuant to the Audio-Visual Regulations, an entity that engages in the provision of internet audio-visual program services without obtaining an AVSP or completing the registration may be warned by the competent authorities at or above the county level, ordered to rectify the non-compliance, and may also be imposed a fine of up to RMB30,000. If the circumstance is serious, the administrative authorities of radio and television of the people’s government at or above the county level shall suspend the operations, confiscate the equipment used for relevant illegal activities, and impose a fine of one to two times the total investment in the business. We were imposed a fine of RMB3,000 by the Cultural Market Administrative Law Enforcement Department of Beijing Municipal in December 2019 for carrying out audio-visual business without obtaining an AVSP, which had been fully paid. However, regulations and regulatory practices have evolved since then. See “Business — Licenses, Permits and Approvals — AVSP” for details. Although according to the interviews with the relevant regulatory authorities, our PRC Legal Advisors are of the view that we are currently not required to terminate our

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operations relating to audio-visual program services, i.e., our online tutoring services, or subject to administrative penalties for such operations without obtaining an AVSP and completing the registration procedure under the current regulatory practices despite the fine imposed in 2019, the interpretation and implementation of laws and regulations is subject to significant uncertainties. In 2019, 2020, 2021 and the six months ended June 30, 2022, our online tutoring services contributed revenue of RMB657.4 million, RMB986.2 million, RMB1,396.1 million and RMB716.8 million, respectively, and gross profit of RMB396.3 million, RMB492.0 million, RMB715.6 million and RMB432.0 million, respectively. If we are deemed non-compliant with the applicable requirements, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, or suspension of our non-compliant operations, any of which may materially and adversely affect our business, results of operations and financial condition.

Additionally, as our online tutoring business does not fall under the circumstances stipulated in the Regulations on the Administration of Online Publishing Services (the “Online Publishing Regulations”) that give rise to the need to apply for an Online Publishing Service License, we do not hold such license for our business operations. However, we cannot assure you that future laws and regulations will not evolve in ways that may negatively affect us.

In addition, as discussed above, it remains unclear under the 2021 Revised Regulations as to whether and how a career test preparation service provider such as us, especially in relation to our online tutoring services, needs to comply with the operating permit requirement. As advised by our PRC Legal Advisors, according to the interviews with the relevant regulatory authorities, we are not required to obtain the approval from the relevant education regulatory authorities for the establishment of non-formal education and training institutions targeting adult students or obtain a private school operating permit for our tutoring services. In practice, only a few education regulatory authorities in certain areas used to require us to obtain a private school operating permit for our offline tutoring services, and we have obtained such permit accordingly. As of the date of this prospectus, we have obtained private school operating permits for our offline operations in Yuxi City, Yunnan Province and Diqing Tibetan Autonomous Prefecture, Yunnan Province, as previously required by local regulatory authorities. Such permit is no longer required under the current regulatory practice for the operation of non-formal education and training institutions targeting adult students. However, uncertainties could exist with respect to the interpretation and implementation of existing and future laws and regulations. Should we be found by the regulators to fail to fully comply with any relevant requirements as interpreted by such regulators or fail to obtain the private school operating permits when required, we may be subject to fines, confiscation of the gains derived from our non-compliant operations, suspension of our non-compliant operations, or claims for compensation of any economic loss suffered by our students or other relevant parties, any of which could materially and adversely affect our brand, business, results of operations and financial condition.

Our business could be adversely affected by changes in the recruitment examinations in China, including the recruitment plans or even the recruitment mechanism for relevant positions, or any other adverse changes of the career test preparation industry.

The career test preparation industry may develop slower than we expect. The market prospect depends on a number of factors, including, among others, the popularity of the government-sponsored positions or job positions in other professionals for which we provide tutoring services. If such positions become less attractive to the general public, our business and prospects could be materially and adversely affected.

New trends and rapid developments in the relevant professionals and industries may change the type of skills or qualifications required in the marketplace and thus the difficulties, requirements or formats of the relevant career test examinations. This requires us to continuously develop, update and enhance our course materials to adapt to the needs of the job markets in China. If there is any material change to the perceived difficulty, requirements or formats of examinations in these subject areas, and we are unable to track and respond to these changes in a cost-effective and timely manner or to tailor our courses to the job markets in China, the demand for, and relevance of, our courses and materials may be adversely affected, which may materially and adversely affect our ability to continue to attract students and cause us to lose market share. Additionally, any unexpected change in the recruitment

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plans for relevant positions, especially government-sponsored positions, including any delay to release or cancellation of the recruitment plans or any decrease in the number of positions offered, any change in the examination schedules, or reform of the recruitment mechanism and cancellation of current recruitment examinations of any government-sponsored institutions, could materially and adversely affect our business, results of operations and financial condition. For example, the number of recruitment in government-sponsored institutions in certain localities decreased in the first half of 2019 due to institutional restructuring, which led to a slow-down in the growth of our paid enrollments for our relevant tutoring courses in the short run. In addition, as a result of the COVID-19 outbreak, a number of major national or provincial recruitment and qualification examinations in China were postponed, which required us to postpone relevant course delivery correspondingly, leading to delayed revenue recognition. On the other hand, several other examinations were held earlier than scheduled, such as certain Regional Civil Servants Examinations in 2021, which resulted in shortened service periods and lowered course fees we charged and, therefore, decreased revenue. Any future institutional restructuring or reform of the recruitment mechanism of any government-sponsored institutions, or other changes in the recruitment plans or examination schedules, may continue to have a material adverse effect on the demand for our tutoring services, which could in turn materially and adversely affect our business, results of operations and financial condition.

A portion of our leased properties were not in compliance with the relevant fire safety regulations during the Track Record Period.

For certain leased properties, we have carried out decoration work to meet the needs of our business operations. According to the relevant PRC laws and regulations, our decoration work fall within the scope of construction work. If the investment amount of such construction project exceeds RMB300,000 and its gross floor area is more than 300 square meters, the records of the fire safety design and the completion inspection (the “Fire Safety Filing”) (竣工驗收消防備案) shall be filed to the competent fire safety authorities after the decoration work obtains the construction permit and passes the completion inspection. Pursuant to the Fire Prevention Law of the PRC, the construction project that fails to complete the Fire Safety Filing shall be ordered to rectify and be subject to a fine of up to RMB5,000.

During the Track Record Period, we were not able to complete the necessary fire safety procedures with respect to certain leased properties. As of the date of this prospectus, we have terminated the leases or suspended the usage of all concerned properties. However, we cannot guarantee that we can avoid fire safety-related risks or become deemed as in full compliance with relevant laws and regulations in the future. See “Business — Legal Proceedings and Compliance — Compliance — Fire safety” for details.

Although the relevant regulatory agencies have not imposed any material administrative actions, fines or penalties for our failure to complete the necessary fire safety procedures as of the date of this prospectus, we cannot assure you that we will not be subject to any administrative actions in the future. If we or any landlord of our leased properties cannot complete the necessary fire safety procedures according to the relevant requirements, we may be subject to a fine or may be ordered to make rectifications within a specified period of time or suspend our operation on the affected properties. As a result, we may not be able to continue operation on such properties, which could materially and adversely affect our business, results of operations and financial condition.

We recognize variable consideration received for our contractual and non-contractual classes in relation to certain course subjects based on our reasonable estimates of the expected refund rates, which brings uncertainty to our revenue recognition and may have a negative impact on our results of operations and financial condition.

The course fees for contractual classes are partially or fully refundable if the students complete the classes but fail to pass the examinations as specified in our agreement. In addition, we may allow refund of course fees in instances of withdrawal from all types of classes prior to the class start date or during the span of the courses. As such, we initially record a certain percentage of the contractual class course fees and non-contractual class course fees as refund liabilities based on the estimated refund rates, respectively, taking into consideration the historical refund level. We initially record the

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remaining course fees as contract liabilities, which are subsequently recognized as revenue over the relevant service periods. For contractual classes, after the examination results are released, we will refund the course fees upon the completion of review of valid refund requests from our students and recognize the remaining refund liabilities as revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. See “Financial Information — Critical Accounting Policies, Judgments and Estimates — Revenue Recognition” and “Financial Information — Discussion of Major Balance Sheet Items — Refund Liabilities.” The estimation of the expected refund rates involves our exercise of judgment. We cannot guarantee that there would not be a significant difference between the revenue recognized based on the expected refund rates and the revenue ultimately recognized based on the actual withdrawals and valid refund requests we received. We may be required to revert a portion of our revenue recognized, resulting in a reduction of our revenue recorded in a subsequent period, or recognize more revenue after the examination results become available, which brings uncertainty to our revenue recognition and may have a negative impact on our results of operations and financial condition.

If we fail to perform our contract obligations, our business, results of operations and financial condition may be materially and adversely affected.

Our contract liabilities primarily represented prepaid course fees we received from our students for our tutoring services, excluding those recorded as refund liabilities. We had contract liabilities of RMB109.3 million, RMB156.1 million, RMB169.2 million and RMB157.6 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. See “Financial Information — Discussion of Major Balance Sheet Items — Contract Liabilities.” If we fail to honor our obligations in respect of our contract liabilities, we may not be able to convert such contract liabilities into revenue as expected, and our students may even request to cancel their purchases with us or request a partial or full refund, which may lead to student dissatisfaction or even disputes with us and, ultimately, our potential refund obligation. In the event that we are required to refund some or all of the prepayments from our students pursuant to the contract provisions, we may not have adequate cash or other available resources to fulfill the refund obligation. Even if we are able to fulfill the refund obligation from available resources, we may need to seek additional sources of capital to fund our operations, which funding may not be available when needed or on acceptable terms. Any of these circumstances would materially and adversely affect our business, results of operations, financial condition and reputation. Furthermore, students may be inclined not to prepay us in the future, in which case we would have to find other sources of funding for our operations, capital expenditures and growth strategies, which could be more costly and may not be available when needed or on acceptable terms.

We may not be able to maintain or increase the overall fee level of our tutoring services and products.

Our results of operations are affected by the pricing of our tutoring services and products, which in turn depends upon the perceived quality and effectiveness of our offerings. We generally determine the course fees based on a number of factors, including, among others, subject matter, examination cycle, level of sophistication of the course, course coverage, add-on services and competition. We may face pricing pressure from major competitors due to intensified market competition. As such, we cannot assure you that we will be able to maintain or increase our overall fee level in the future without adversely affecting the demand for our services and products.

Changes in our service offering mix may affect our results of operations.

Our results of operations have been, and are expected to continue to be, affected by changes in service offering mix. See “Financial Information — Specific Factors Affecting Our Results of Operations — Change in Service Offering Mix.” Our profit margins vary across different business lines. For example, during the Track Record Period, the gross profit margin of our online tutoring services was higher than that of our classroom-based tutoring services as we incurred substantial costs and expenses to support the launch of classroom-based tutoring on a large-scale basis starting in May 2020, which affected our overall gross profit margin.

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Our course fees also vary among different courses, such as between formal courses and promotional courses, systematic courses and premium courses, and online courses and classroom-based courses. Changes in our service offering mix may adversely affect our average gross billings per paid enrollment. For example, the average gross billings per paid enrollment for online systematic courses and premium courses decreased from 2020 to 2021 and from the six months ended June 30, 2021 to the six months ended June 30, 2022, primarily because we continued to increase the offering of public institution employees examination tutoring courses, teacher qualification and recruitment tutoring courses and other test preparation courses that had relatively lower course fees as compared to civil servants examination tutoring courses. During the Track Record Period, our online systematic courses for civil servants examination were generally priced between RMB880 to RMB980, whereas our online systematic courses for other examination subjects were generally priced between RMB99 to RMB600. Similarly, our online premium courses for civil servants examination were generally priced between RMB3,200 to RMB49,800, whereas our online premium courses for other examination subjects were generally priced between RMB980 to RMB30,000.

In addition, our formal courses can be classified as non-contractual classes and contractual classes based on different refund policies and revenue recognition methods. The course fees for our non-contractual classes are recognized over the service period if the students do not withdraw from such classes, whereas the course fees for contractual classes are partially or fully refundable if the students complete the classes but fail to pass the examinations as specified in our agreement. Our refund liabilities increased from RMB196.1 million as of December 31, 2019 to RMB757.8 million as of December 31, 2020, primarily due to the increase in the paid enrollments of our contractual classes as we launched more contractual classes. Our refund liabilities decreased to RMB680.3 million as of December 31, 2021, primarily because we adjusted our business development strategies, and as a result, reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass and the offering of written test contractual classes that are subject to full refund for no-pass in the second half of 2021. Our refund liabilities remained relatively stable at RMB685.0 million as of June 30, 2022. An increase in paid enrollments for our contractual classes would lead to increased refund liabilities, which brings uncertainty to our revenue recognition and results of operations. As a result, an increase in our gross billings contributed from the enrollment in contractual classes may not result in an immediate and proportional growth in our revenue during the same period, due to the related revenue recognition policies, considering the prospects of refund due to any student's subsequent failure to pass the examinations. Any future change in our service offering mix could subject our results of operations and financial condition to substantial uncertainties.

Our business is subject to seasonal fluctuations.

The timing at which students purchase our tutoring courses and learning products is subject to seasonal fluctuations in relation to the examination cycle. For example, the written tests of the National Civil Servants Examination are normally held in November or December of a year and the interview tests are normally held in February or March of the following year. As for the Regional Civil Servants Examination, the written tests and the corresponding interview tests (following the announcement of the written test results) are normally held in the first half of a year. The timing at which students submit refund requests is also subject to the release schedule of the examination results, and typically follows the release of the results. The movement of our refund liabilities and liquidity position may, accordingly, be subject to seasonal fluctuations. As a result, our operating and financial results for an interim period may not be representative of our overall performance. See "Financial Information — General Factors Affecting Our Results of Operations — Seasonality." While we believe that we have made reasonable estimates in recognizing refund liabilities, and that we have been able to fulfill the historical refund requests from our students following the release of examination results, any delay in or failure of fulfilling the refund requests in the future could have a material adverse effect on our business, reputation, results of operations and financial condition. We expect to continue to experience seasonal fluctuations in our revenue, results of operations and financial condition, which could result in volatility and adversely affect the price of our Shares.

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Our business is subject to a variety of evolving laws and regulations regarding cybersecurity, data privacy and data security.

Our data-driven capability is fundamental to our business operation. Our business involves the collection, analysis, and storage of a large volume of data on learning behaviors and preferences, and learning patterns and results, and therefore face risks inherent in handling large volumes of data and in protecting the security and privacy of such data.

We are subject to a variety of laws and regulations regarding cybersecurity, data security and data privacy, including restrictions on the collection, storage and use of personal information and requirements to take steps to prevent personal data from being divulged, stolen, or tampered with. The regulatory framework for data privacy protection in China is rapidly evolving and is likely to remain uncertain for the foreseeable future. We could be adversely affected if legislation or regulations in China require changes in business practices or privacy policies, or if the relevant governmental authorities in China interpret or implement their legislation or regulations in ways that negatively affect our business, results of operations and financial condition.

For example, on June 10, 2021, the SCNPC promulgated the PRC Data Security Law (中華人民共和國數據安全法), which took effect on September 1, 2021. The PRC Data Security Law, among other things, requires data collection to be conducted in a legitimate and proper manner, and stipulates that, for the purpose of data security, data processing activities must be conducted based on data classification and hierarchical protection system. Furthermore, along with the promulgation of the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見), overseas-listed China-based companies are experiencing a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data flow and management of confidential information from PRC regulatory authorities.

On August 20, 2021, the SCNPC passed the PRC Personal Information Protection Law (中華人民共和國個人信息保護法) (the “PIPL”), which took effect on November 1, 2021. The PIPL accentuates the importance of processors’ obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border transfer of personal information. Pursuant to the PIPL, a personal information processor is allowed to process (including collection, storage, usage, transmission, provision, disclosure and deletion) personal information only under certain circumstances, such as processing with consent from such individual, or for necessity of performance of a contract to which such individual is a contracting party or statutory duties, management of human resource under the labor rules and regulations developed in accordance with the law or a collective contract signed in accordance with the law, protection of public interest, or reasonable usage of legally disclosed information. Processing of sensitive personal information, such as the personal information that is likely to result in damage to personal dignity, personal or property safety once illegally disclosed, as well as the personal information of minors under the age of 14, is subject to higher regulatory requirements including specific purpose, sufficient necessity, duty of explanation to such individuals and consent from a parent or a guardian of minors. See “Regulation — Regulations Related to Internet Privacy” for details. As uncertainties remain regarding the interpretation and implementation of the PIPL, our current practice of collecting and processing sensitive personal information may be ordered to be rectified or terminated by regulatory authorities. We may also become subject to fines and other penalties which may have material adverse effect on our business, results of operations and financial condition.

On November 14, 2021, the CAC published the Administrative Regulations on Internet Data Security (Draft for Comments) (網絡數據安全管理條例(徵求意見稿)) (the “Draft CAC Regulations on Internet Data Security”), which provides that data processors conducting the following activities shall apply for cybersecurity review: (1) merger, reorganization or division of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests affects or may affect national security; (2) data processors processing over one million individuals’ personal information that seek for listing in a foreign country; (3) listing in Hong Kong which affects or may affect national security; or (4) other data processing activities that affect or may affect national security. There have been no clarifications from the authorities as of the date of this prospectus as to the standards for determining such activities that “affects or may affect national

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security” and there is no timetable as to when it will be enacted. As such, substantial uncertainties exist with respect to the enactment timetable, final content, interpretation and implementation, including the standards for determining whether a listing in Hong Kong “affects or may affect national security.” If our proposed offering is considered a listing in Hong Kong that affects or may affect national security, we may be required to apply for cybersecurity review, but there can be no assurance that we are able to obtain approval from the regulatory authorities in a timely manner, or at all. Any failure to obtain such approval or clearance from the regulatory authorities could materially constrain our liquidity and have a material adverse impact on our business operations and financial results, especially if we need additional capital or financing.

On December 28, 2021, the CAC and 12 other government authorities published an amendment of the Measures for Cybersecurity Review 2020 (the “Measures for Cybersecurity Review 2022”), which took effect on February 15, 2022. The Measures for Cybersecurity Review 2022 provides that the relevant operators shall apply with the Cybersecurity Review Office of CAC for a cybersecurity review under the following circumstances: (1) internet platform operators holding over one million individuals’ personal information aiming for foreign listing, and (2) operators of “critical information infrastructure” that intend to purchase internet products and services that will or may affect national security. However, there has been no further explanation or interpretation for “foreign listing” or “affect or may affect national security” under the Measures for Cybersecurity Review 2022. See “Regulation — Regulations Related to Information Security” for details. As current PRC regulatory regime remains unclear, and the PRC government authorities may have wide discretion in the interpretation and enforcement of these laws. As of the date of this prospectus, we have not been involved in any investigations on cybersecurity review made by the CAC on such basis, and we have not received any inquiry, notice, warning or sanction in such respect.

On December 31, 2021, the CAC, MIIT, the Ministry of Public Security (the “MPS”), the SAMR promulgated the Administrative Provisions on Internet Information Service Algorithm Recommendation (互聯網信息服務算法推薦管理規定) (the “Provisions on Algorithm Recommendation”), which came into effect on March 1, 2022. See “Regulation — Regulations Related to Algorithm Recommendations” for details. However, as the scope of algorithm recommendation service providers with public sentiment attributes or social mobilizing capability is currently unclear under the Provisions on Algorithm Recommendation, there remains substantial uncertainties as to its interpretation and enforcement. The internet information services algorithm filing system was launched on March 1, 2022, and we have submitted our filing report through such system.

On July 7, 2022, the CAC promulgated the Security Assessment Measures for Outbound Data Transfer (數據出境安全評估辦法) (the “Security Assessment Measures”), effective from September 1, 2022. The Security Assessment Measures require that any data processor which processes or exports personal information exceeding certain volume threshold under such measures shall apply for security assessment by the CAC before transferring any personal information outbound. The security assessment requirement also applies to any transfer of important data outside of China. As of the Latest Practicable Date, we had not been involved in any cross-border data transfer during our daily operations. We do not expect the Security Assessment Measures to have material impact on our daily operations in respect of the outbound data transfer. However, since the Security Assessment Measures is newly promulgated, there are uncertainties as to the interpretation and application of it. We cannot assure you that relevant regulatory authority will take the same view as ours. In the event if the regulatory authority deems certain of our activities as a cross-border data transfer, we will be subject to the relevant requirements.

We have implemented strict protocols on data collection, transmission, storage and usage, and have technologies and systems in place to safeguard against unauthorized data access and disclosure to effectively address concerns related to privacy and data sharing. See “Business — Data Privacy and Security” for details. However, our security control may not prevent the improper leakage of such personal data and confidential information. In particular, we could be subject to attacks on our systems by external parties or fraudulent or inappropriate behaviors by our employees, third-party providers or other business partners. Third parties may also gain access to our data using computer malware, viruses, spamming, phishing attacks or other means. A security breach that leads to leakage of data and information of our users, even though anonymized, could still subject us to legal liabilities, regulatory sanctions, reputational damage and loss of user confidence. In addition, data breaches or any

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misconduct during the process of collection, analysis, and storage of data, could result in a violation of applicable data privacy and protection laws and regulations in China, and subject us to regulatory actions, investigations or litigations. Even if these actions, investigations or litigations do not result in any liability to us, we could incur significant costs in investigating and defending against them, and could be subject to negative publicity about our privacy and data protection practices, which may affect our reputation in the marketplace. Our potential risks related to our collection and use of data could require us to implement measures to reduce our exposure to liability, which may require us to expend substantial resources and limit the attractiveness of our services to students. As a result, our business, results of operations and financial condition could be materially and adversely affected.

Moreover, the interpretation and application of China's cybersecurity laws, regulations and standards are still uncertain and evolving, especially the Measures for Cybersecurity Review 2022 and the Draft CAC Regulations on Internet Data Security. We cannot assure you that relevant government authorities will not interpret or implement these and other laws or regulations in ways that may negatively affect us.

We have been involved, and may continue to be involved, in litigations, legal or contractual disputes, governmental investigations or administrative proceedings, which may divert our management's attention and adversely affect our business, results of operations and financial condition.

We have been, and may continue to be, involved in claims, disputes and legal or administrative proceedings arising from our ordinary course of business. These may concern issues relating to, among others, labor disputes, licenses and permits relating to our daily business operations, contract disputes, and infringement of intellectual property rights. For example, we were subject to administrative penalties of an aggregate RMB141,000 for distribution of hard copies of course materials during offline tutoring, which has been fully paid. According to the telephonic consultation with the relevant local governmental authorities on various dates from January 2022 to June 2022, including Comprehensive Administrative Law Enforcement Detachment of Changde City Cultural Market (常德市文化市場綜合行政執法支隊), Law Enforcement Detachment of Cultural and Tourism Development Committee of Wanzhou District, Chongqing (重慶市萬州區文化和旅遊發展委員會執法支隊), Comprehensive Law Enforcement Section of Kangding City Cultural Market (康定市文化市場綜合執法大隊), Comprehensive Law Enforcement Section of Liaoyuan Municipal Bureau of Culture, Radio, Television and Tourism (遼源市文化廣播電視和旅遊局綜合執法大隊), Comprehensive Law Enforcement Detachment of Nanchang Municipal Cultural Market, Nanchang Municipal Bureau of Culture, Radio, Television, Press, Publication and Tourism (南昌市文化廣電新聞出版旅遊局南昌市文化市場綜合執法支隊), Law Enforcement Section of Wuzhong Municipal Bureau of Culture, Tourism, Sports, Radio, Film and Television (吳忠市文化旅遊體育廣電局執法科), Comprehensive Law Enforcement Section of Xiji County Cultural Market, Xiji County Bureau of Cultural Tourism Radio, Film and Television (西吉縣文化旅遊廣電局西吉縣文化市場綜合執法大隊) and Policy and Regulations Division of Zhenjiang Municipal Bureau of Culture, Radio, Television and Tourism (鎮江市文化廣電和旅遊局政策法規處), our such activities do not constitute material violations of laws and regulations. As advised by our PRC Legal Advisors, the relevant local governmental authorities and interviewees are competent to provide such confirmations. As of the date of this prospectus, there have been no similar violations of laws and regulations by us which will lead to administrative penalties. We have implemented more stringent internal controls to monitor the editing, publication and distribution of our textbooks and learning materials. See "Business — Sales of Books." In addition, as a provider of online career test preparation services, we may face liability for defamation, negligence and other claims based on the nature and content of the materials that are displayed on our platform or delivered or shared through our services. Third parties could assert claims against us for losses incurred in reliance on any erroneous information distributed by us. We may also be subject to claims by students misled by information in our advertisements. Any such claims against us, even if they do not result in liability to us, could cause us to incur significant costs in investigating and defending against such claims.

As of the Latest Practicable Date, we were not involved in any litigations and legal proceedings which, individually or in the aggregate, would have a material adverse effect on our business, results of operations and financial condition. However, on-going or threatened litigation, legal or contractual disputes, governmental investigations or administrative proceedings involving us or our employees,

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with or without merit, could be time-consuming and costly to defend or litigate, divert our management's attention and resources, or result in the loss of goodwill associated with our brand. Furthermore, any litigation, legal or contractual disputes, governmental investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved.

If the outcomes of any proceedings are unfavorable to us, we could be required to pay significant legal costs and monetary damages, assume legal and other liabilities, and even suspend or terminate our business operations. In addition, negative publicity arising from litigations, legal or contractual disputes, governmental investigations or administrative proceedings may damage our reputation and adversely affect the image of our brand and product and service offerings. As a result, our business, results of operations and financial condition may be materially and adversely affected.

Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly and ineffective.

We believe that our patents, copyrights, trademarks and other intellectual properties are essential to our success. We have devoted considerable time and resources to the development and improvement of our online platform, information technology infrastructure and course materials.

We rely primarily on patents, copyrights, trademarks, trade secrets and other contractual restrictions for the protection of the intellectual properties used in our business. Nevertheless, these provide only limited protection and the actions we take to protect our intellectual property rights may not be adequate. Infringement upon or the misappropriation of, our proprietary technologies could have a material adverse effect on our business, results of operations and financial condition. Our course materials and other intellectual properties may be pirated or otherwise infringed by competitors or other third parties. Moreover, our trade secrets may become known or be independently discovered by our competitors. Measures taken by us to monitor and prevent unauthorized use of our proprietary intellectual properties, such as proactive monitoring in collaboration with third parties and establishment of internal and external whistleblower programs, can be costly yet ineffective. For example, instructors who have resigned and joined our competitors may continue to use the course materials they obtained during their employment with us, which may negatively impact the attractiveness of our courses to prospective students. Although we have entered into agreements with instructors to prohibit them from using our course content without our prior consent, we cannot ensure compliance of these instructors with such agreements.

In addition, litigation may be necessary to enforce our intellectual property rights, protect our trade secrets or determine the validity and scope of the proprietary rights of others. Such litigation may be costly and divert management's attention away from our business. An adverse determination in any such litigation would impair our intellectual property rights and may harm our business, prospects and reputation. The legal regime relating to the recognition and enforcement of intellectual property rights in China is limited and subject to uncertainties. Legal proceedings to enforce our intellectual properties in China may progress slowly, during which time infringement may continue largely unimpeded. Enforcement of judgments in China is uncertain, and even if we are successful in litigation, it may not provide us with an effective remedy. Furthermore, we have no insurance coverage against litigation costs and would have to bear all costs arising from such litigation to the extent we are unable to recover them from other parties. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

We may be subject to intellectual property infringement claims by third parties, which may materially and adversely affect our business, results of operations and financial condition.

Third parties may, from time to time, claim that we are infringing, misappropriating or otherwise violating their intellectual property rights, including patents, copyrights and other intellectual property rights. For example, we may become subject to claims that the content on our platform or in the textbooks and learning materials or marketing materials that we or our instructors author or distribute is

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in fact protected by third-party copyright, ownership rights or trademarks. Third parties may also claim that our employees have misappropriated or divulged their former employers' proprietary rights or confidential information. We have experienced claims for intellectual property infringement in the ordinary course of business, and we cannot assure you that we would not become subject to such claims in the future. If we are found to have infringed upon the intellectual property rights of any third party in legal or other proceedings, we could be subject to material monetary liabilities. Royalty or licensing agreements, if required, may not be available on acceptable terms, if at all. A successful claim of infringement against us and our failure or inability to obtain a license to use the infringed or similar technology or content on commercially acceptable terms, or at all, could cause us to incur great expenses, prevent us from producing and offering our courses or products, or lead to delays in developing non-infringing courses or products. As a result, the scope of our content could be reduced, which could adversely affect the effectiveness of our offerings, limit our ability to attract new students, harm our reputation and have a material adverse effect on our results of operations and financial condition.

We cannot assure you that we will not be subject to liability claims for any inaccurate or inappropriate content in our course offerings, which could cause us to incur legal costs and damage our reputation.

We develop the content for our course offerings by our internal efforts. We cannot assure you that there will be no inaccurate or inappropriate materials included in our course offerings. In addition, our mock examination questions designed internally based on our understanding of the relevant examination requirements may be investigated by the regulatory authorities. Therefore, we may face civil, administrative or criminal liability if an individual or corporate, governmental or other entity believes that the content of any of our course offerings violates any law, regulation or governmental policy or infringes upon its legal rights. Even if such a claim were not successful, defending such a claim may cause us to incur substantial costs. Moreover, any accusation of inaccurate or inappropriate content could lead to significant negative publicity, which could harm our reputation and business prospects.

Our reputation and business may be adversely affected by the misconduct and improper activities by our students, teaching staff, other employees, business partners and other stakeholders.

We could be liable for actions taken by misconduct and improper activities by our students, teaching staff, other employees, business partners and other stakeholders. For example, our courses undergo multiple rounds of internal review before being broadly released. We regularly and actively monitor our live courses and other content and communications to identify content that may be deemed inappropriate or violation of laws, regulations and government policies. However, since we have limited control over the real-time and offline behavior of our students and teaching staff, especially our contract workers, to the extent any improper behavior is associated with our content, products and services, our ability to protect our reputation may be limited. In addition, if any of our students and teaching staff suffer or allege to have suffered harm following contact initiated through our products and services, we may face civil lawsuits or other liabilities. In response to allegations of illegal or inappropriate activities, PRC government authorities may intervene and hold us liable for non-compliance with PRC laws and regulations concerning the dissemination of information on the internet and subject us to administrative penalties or other sanctions, such as requiring us to restrict or discontinue our content, products or services. As a result, our business may suffer and our reputation, business, results of operations and financial condition may be materially and adversely affected.

We are also exposed to the risk of other types of fraud or other misconduct. For example, our employee may intentionally fail to comply government regulations, engage in unauthorized activities and make misrepresentations to our prospective students during sales and marketing activities, which could harm our reputation. It is not always possible to deter all fraud and misconduct by our students, teaching staff, other employees, business partners and other stakeholders, and the precautions we take to prevent and detect these activities may not be effective in controlling unknown or unmanaged risks or losses, which could harm our business, results of operations and financial condition.

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Failure to control rental costs, obtain leases at desired locations at reasonable prices or protect our leasehold interests could materially and adversely affect our business.

All of our offline offices and classroom facilities are presently located on leased premises. At the end of each lease term, we must negotiate an extension of the lease. If we are not able to negotiate an extension on terms acceptable to us, we will be forced to move to a different location, or the rent may increase significantly given that the real estate prices in China have continued to rise for years. This could disrupt our operations and adversely affect our profitability. We also compete with many other businesses for sites in certain highly desirable locations and some landlords may have entered into long-term leases with our competitors for prime locations. As a result, we may not be able to obtain new leases at desirable locations or renew our existing leases on acceptable terms or at all, which could adversely affect our business. Furthermore, we may from time to time adjust our offline coverage and accordingly our leased properties, which may lead to additional rental and associated costs. For example, we recorded net losses related to early termination of lease agreements and the disposal of related leasehold improvement of RMB0.3 million, RMB31.3 million and RMB14.4 million in 2019, 2021 and the six months ended June 30, 2022, respectively, and recorded net gains related to early termination of lease agreements and the disposal of related leasehold improvement of RMB49,000 and RMB1.9 million in 2020 and the six months ended June 30, 2021, respectively. Such changes are non-recurring in nature and have caused and may continue to cause fluctuations in our results of operations and financial condition.

In addition, as of the Latest Practicable Date, 19 of our leased properties had title defects that may adversely affect our ability to continue to use them in the future, which accounted for approximately 8.6% of our total leased properties as of the same date. The existence of title defects is mainly due to the following reasons: (1) certain lessors failed to provide property ownership certificates or other relevant certificates regarding their legal right to lease such properties, and (2) the intended purposes contained in the property ownership certificates are inconsistent with the actual use of property. See “Business — Properties — Title Defects” for details. The relevant lease agreements may be deemed invalid or we may face challenges from the property owners or other third parties regarding our right to occupy the premises. Furthermore, if the landlords fail to perform its obligations under the lease agreements between the landlords and us due to any reason, including but not limited to its own non-compliance with relevant laws and regulations, government demolition or any other unforeseeable events, we may be unable to continue using such properties. As of the date of this prospectus, we are not aware of any challenges being made by a third party or government authority on the titles of any of these leased properties that might affect our current occupation. Although we do not expect to become subject to any fines or penalties if any of these leases are terminated as a result of challenges by third parties or government authorities for any of these title defects, we may be forced to relocate the affected offices and classrooms and incur additional expenses accordingly. If we fail to find suitable replacement sites in a timely manner or on terms commercially acceptable to us, our business and results of operations could be materially and adversely affected. Under the applicable PRC laws and regulations, the parties to a lease are required to register and file such lease with the relevant government authorities. As of the Latest Practicable Date, 220 lease agreements of our leased properties had not been registered or filed. While the lack of registration will not affect the validity of the leases under PRC laws and regulations, we may be ordered by the relevant government authorities to register the relevant leases within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. The estimated aggregate maximum potential penalties for failing to complete the registration within a prescribed period in relation to the 220 lease agreements would be approximately RMB2.2 million.

Accidents or injuries suffered by our students or other people on our premises may adversely affect our reputation, business operation and financial performance.

We could be held liable for the accidents, injuries or other harm to students or other people at our offline facilities, including those caused by or otherwise arising in connection with our facilities, employees or third-party vendors, such as food catering service provider we have engaged for students attending boarding courses. We do not have any insurance for our students at our offline facilities. In the event of such accidents, injuries or other harm to students or other people on our premises, our facilities may be perceived to be unsafe, which may discourage prospective students from attending our

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offline courses. Our students may also hurt themselves or other persons due to psychological pressure. We could also face claims alleging that we were negligent or provided inadequate supervision to our employees and therefore should be held jointly liable for harm caused by them or are otherwise liable for injuries suffered by our students or other people on our premises. Any liability claim against us or any of our employees, even unsuccessful or without merit, could adversely affect our reputation, paid enrollments and revenue, causing us to incur substantial expenses and divert the time and attention of our management.

Our user metrics and other estimates are subject to inaccuracy in measuring our operating performance, which may harm our business, results of operations, financial condition and reputation.

We continually review MAUs, paid enrollments and certain other metrics to evaluate growth trends, measure our performance and make strategic decisions. These metrics are calculated using internal data and may not be indicative of our future operating performance. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring how our online platform is used across a large student or user base. For example, the actual number of individual users, is likely to be lower than that of our MAUs due to various reasons such as access to our courses and products through multiple user accounts. We have limited ability to validate or confirm the accuracy of information provided during the user registration process to ascertain whether a new user account created was actually created by an existing user who is registering duplicative accounts. As a result, the number of our MAUs may overstate the number of individuals who access our courses and products. If investors do not perceive our operating metrics to accurately represent our operating performance, or if we discover material inaccuracies in our operating metrics, our business, results of operations, financial condition and reputation may be materially and adversely affected.

We engage contract workers in collaboration with outsourcing companies, which may expose us to risks and uncertainties.

We engage contract workers in collaboration with outsourcing companies to accommodate more students during peak examination preparation seasons from the examination cycle. Our contract workers are typically paid on a contract-basis based on their actual workloads. We have limited control over the activities and performance of our contract workers and may experience operational difficulties in this regard, including their failure to comply with our requirements, deadlines and quality standards. As a result, we may fail to achieve our objectives in a timely manner, which may adversely affect our business and operations. In addition, we may experience labor shortages or additional labor costs if the outsourcing companies fail to perform to our satisfaction on a continuing basis. If one or more of the outsourcing companies we collaborated with experience business interruptions or are otherwise unable or unwilling to fulfill their agreements with us, we may suffer delays and additional expenses in arranging for alternative service providers meeting our requirements, and our business, results of operations and financial condition may be adversely affected.

We are subject to third-party payment processing related risks.

We accept payments primarily through major third-party online payment platforms in China, and to a lesser extent, through bank transfers. Any scheduled or unscheduled interruption in the ability of our students to use these and other third-party payment platforms could adversely affect our payment collection, and in turn, our revenue. In all the online payment transactions through these platforms, secured transmission of confidential information, including credit card numbers and critical personal information of our students over public networks, is essential to maintain their confidence in us and our online platform. We also rely on the stability of such payment transmissions to ensure the uninterrupted payment services available to our students. We do not have control over the security measures of third-party online payment platforms. If any of these third-party online payment platforms fails to process, or ensure the security of, user payments for any reason, our reputation would be damaged and we may lose our paying students who may be discouraged from making potential purchases, which in turn, would materially and adversely affect our business, results of operations, financial condition and prospects.

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Furthermore, these payment platforms are subject to various rules and requirements from local or national governments regulating electronic funds transfers and virtual currencies, which could change or be reinterpreted to make it difficult or impossible for them to comply with. If they fail to comply with these rules or requirements, they may be subject to fines and higher transaction fees and even lose their ability to accept credit and debit card payments, process electronic funds transfers or facilitate other types of online payments from our students, which in turn would materially and adversely affect our results of operations and financial condition.

Our business depends on the continuing efforts of our senior management, other key personnel and a competent workforce to support our existing operations and future growth. If we fail to attract, retain and motivate talents, our operations and growth prospects may be adversely affected.

We depend on the continuing services of our senior management and other key employees. For example, we rely on a number of key employees for the development and operations of our business, such as our key technological and content development personnel. The loss of the services of any of our senior management or other key employees could harm our business. Competition for talents in China is intense. If one or more of our senior management or other key employees are unable or unwilling to continue in their present positions, we may not be able to find replacements in a timely manner, or at all, and our business may be disrupted. Moreover, if any member of our senior management team or any of our other key employees joins a competitor or forms or invests in a competing business, we may lose our know-how, students and qualified teaching staff to our competitors. All of our senior management and certain key employees have entered into agreements that contain customary non-compete provisions with us. Although non-compete provisions are generally enforceable under PRC laws, PRC legal practice regarding the enforceability of such provisions is not as well-developed as in countries such as the United States. Thus, if we need to enforce our rights under the non-compete provisions, we cannot assure you that a PRC court would enforce such provisions. If we lose the services of any of our senior management and key employees, or are unable to recruit and retain qualified personnel, our business and prospects may be materially and adversely affected.

Increases in labor costs or any labor dispute or unrest may adversely affect our reputation, business, results of operations and financial condition.

We have observed an overall tightening and increasingly competitive labor market in China. We have experienced an increase in employee benefit expenses during the Track Record Period in connection with our business growth and expansion. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our total employee benefit expenses were RMB338.4 million, RMB1,173.3 million, RMB2,719.2 million, RMB1,411.7 million and RMB771.3 million, respectively, representing 29.2%, 55.0%, 79.3%, 74.9% and 53.2% of our total revenue of the same periods, respectively. In the future, we may experience increased labor costs due to increases in salary, social benefits and employee headcount. If we are unable to pass on these increased labor costs to our students, our results of operations and financial condition would be materially and adversely affected. In addition, we compete with other companies in our industry and other labor-intensive industries for labor, and we may not be able to offer competitive remuneration and benefits compared to them.

In addition, we are required by PRC laws and regulations to make social insurance registration and open housing provident fund account with relevant governmental authorities and pay various statutory employee benefits, including pension, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing provident fund to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate payments of the requisite statutory employee benefits, and those employers who fail to make adequate payments may be subject to late payment fees, fines and/or other penalties. See “— We face certain legal and regulatory risks relating to labor-related laws and regulations.”

Moreover, the PRC Labor Contract Law has reinforced the protection of employees who, under the PRC Labor Contract Law, have the right, among others, to have written employment contracts, to enter into employment contracts with no fixed term under certain circumstances, to receive overtime

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wages and to terminate or alter terms in employment contracts. Furthermore, the PRC Labor Contract Law sets forth additional restrictions and increases the costs involved with dismissing employees. To the extent that we need to significantly reduce our workforce, the PRC Labor Contract Law could adversely affect our ability to do so in a timely and cost-effective manner, and our results of operations could be adversely affected. For example, in 2021 and the six months ended June 30, 2022, we optimized our employee structure as part of our business strategy to improve our operational efficiency and paid an aggregate compensation of RMB168.9 million to retrenched employees. We were also involved in labor disputes with certain retrenched employees. Since 2021 and up to June 30, 2022, we had been involved in labor disputes with 102 employees, among which (1) we obtained six judgments in our favor, (2) we settled disputes with 39 employees for an aggregate settlement amount of approximately RMB1.3 million, (3) 31 employees had withdrawn their claims, (4) we received 16 judgments against us for an aggregate judgment amount of approximately RMB0.8 million, and (5) the remaining 10 were still pending as of the Latest Practicable Date with an aggregate amount in dispute of approximately RMB0.9 million. In addition, for employees whose employment contracts include non-competition terms, the PRC Labor Contract Law requires us to pay monthly compensation after such employment is terminated, which will increase our operating expenses. As of the date of this prospectus, we have entered into employment contracts with non-competition terms with a total of seven employees, all of whom remain incumbent to date. If any of them were to leave us and the relevant non-competition terms were to be invoked, we would pay such employee the compensation equal to 20% of the average monthly salary during the preceding 12 months multiplied by the number of months of the applicable non-competition period, which shall be no more than two years pursuant to the PRC Labor Contract Law. If the compensation so calculated is less than the statutory minimum required by national or local authorities, then the statutory minimum shall apply. Any future retrenchment or adjustment in our employee structure may lead to additional labor and associated costs and may generate negative publicity, which could materially and adversely affect our reputation, business, results of operations and financial condition.

During the Track Record Period, we were not subject to any material labor unrest initiated by our employees. We cannot assure you that we will not be subject to material labor unrest and related legal or administrative proceedings in the ordinary course of business in the future. Any labor unrest directed against us could directly or indirectly prevent or hinder our normal operating activities, and, if not resolved in a timely manner, lead to decreases in our revenue. We are not able to predict or control any labor unrest. Further, labor unrest may affect general labor market conditions or result in changes to labor laws, which in turn could materially and adversely affect our business, results of operations and financial condition.

We face certain legal and regulatory risks relating to labor-related laws and regulations.

Pursuant to the relevant PRC laws and regulations, employers are obligated to contribute to the social insurance and housing reserve funds for their employees. During the Track Record Period, we did not make adequate social insurances and housing reserve fund contributions for certain employees or make timely registration with the relevant social insurance or housing reserve fund authorities. As advised by our PRC Legal Advisors, if any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance. In addition, if any of the relevant housing reserve fund authorities is of the view that our contributions to the housing reserve fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, the relevant housing reserve fund authority may apply to a PRC court for an order of mandatory payment.

As of the Latest Practicable Date, no material administrative action, fine or penalty had been imposed by relevant regulatory authorities with respect to our social insurance or housing reserve fund contributions. In addition, we did not receive any notice from judicial or administrative authorities on any claim from our current and former employees regarding any inadequate contributions. As advised

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by our PRC Legal Advisors, in the absence of any employee claims and significant changes in regulatory requirements regarding social insurance and housing reserve fund contributions, the likelihood that we would be required by relevant authorities to pay the shortfalls and late charge for social insurance and housing reserve fund contributions and/or be subject to material administrative penalties due to failure to make full contributions is remote, based on (1) the interview with the MOHRSS, (2) the confirmations obtained from the competent authorities from the regions covering substantially all of our subsidiaries, and (3) their understanding of the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) issued by the MOHRSS, which seeks to promote the reduction in the amount of social insurance contributions by companies to avoid overburdening enterprises and prohibits local authorities from requiring enterprises to make up for historically underpaid or unpaid social insurance contributions in a lump sum. We also made appropriate provisions for the historical inadequate contributions in our financial statements. In 2019, 2020, 2021 and the six months ended June 30, 2022, the amount of provisions made for the shortfall of social insurance and housing reserve fund contributions was RMB0.6 million, RMB1.9 million, RMB9.1 million and RMB1.0 million, respectively. However, we cannot assure you that the relevant government authorities will not require us to pay the shortfalls and late charge or impose fines on us, in which case our business, results of operations and financial condition could be adversely affected. See “Business — Legal Proceedings and Compliance — Compliance — Social insurance plans and housing reserve fund.”

In addition, during the Track Record Period, we engaged third-party human resource agencies to make social insurance and housing reserve fund contributions for certain employees. As of the Latest Practicable Date, the practice had not been explicitly prohibited by PRC laws and regulations, and we had not received any notice from the regulatory authorities that such practice is in violation of any laws and regulations concerning social insurance and housing reserve fund. As of the Latest Practicable Date, we had not been subject to any labor dispute relating to such arrangements. As such, our PRC Legal Advisors are of the view that the likelihood that our arrangements with third-party human resource agencies would materially and adversely affect our business operations is remote. However, as there remains uncertainties over the interpretation and implementation of labor-related laws and regulations, we cannot assure you that our arrangements with third-party agencies are and will at all times be deemed to be in full compliance with relevant laws and regulations, which may subject us to labor disputes or government investigations. In addition, if these agencies fail to fulfill their obligations to make the social insurance and housing reserve fund contributions for the relevant employees, we may be subject to additional contribution obligations, late payment fees and/or penalties imposed by relevant regulatory authorities for failing to discharge our obligations as an employer or be ordered to rectify. The occurrence of any of the foregoing could have a material adverse effect on our business, results of operations and financial condition.

Our limited insurance coverage could expose us to significant costs and business disruption.

Our insurance coverage may be inadequate to protect us from all the liabilities we may incur. For example, we do not maintain any business interruption insurance, keyman life insurance or insurance policies covering damages to our technical infrastructure, which are not mandatory under PRC laws. See “Business — Insurance.” Our current insurance coverage may not be sufficient to prevent us from any loss and there is no certainty that we will be able to successfully claim our losses under our current insurance policy on a timely basis, or at all. If we incur any loss that is not covered by our insurance policies, or the compensated amount is significantly less than our actual loss, our business, results of operations and financial condition could be materially and adversely affected.

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Our technology infrastructure may experience unexpected interruptions or system failures, which could adversely impact our operations and cause our platform to be less attractive to our students.

Our technology infrastructure may experience performance problems due to a variety of factors, including infrastructure changes, human or software errors and capacity constraints. Any interruptions in the accessibility of or deterioration in the quality of access to our online platform could reduce students' satisfaction and result in reduction in the number of students using our course and product offerings.

We intend to continuously improve and upgrade our information technology system in order to maintain the usefulness and attractiveness of our course and product offerings to our students. However, we cannot assure you that we will be successful in executing these system improvement and upgrade strategies. Our systems may experience interruptions or longer response times during upgrades and new technologies or infrastructures may also not be fully integrated or functional with the existing systems on a timely basis or at all, all of which could have an adverse impact on user experience. If our students are unable to access our offerings during downtime caused by our regular upgrades or other events, students may become frustrated and seek other course offerings from competitors, and may not return to our online platform as often in the future. This would negatively impact our ability to attract and retain students. Our growing operations will also place increasing pressure on our servers and network capacity as we further enlarge our student base, expand our content offerings and improve our internal operational systems. Moreover, depreciation and amortization expenses in relation to our technology infrastructure may increase if we purchase new software or hardware for its improvement or upgrades.

We depend on services provided by third parties and any disruption of or interference with our use of such third-party services would adversely affect our business, results of operations and financial condition.

We cooperate with third-party cloud service providers to host our online platform and offerings. We are, therefore, vulnerable to problems experienced by these providers. We may experience interruptions, delays or outages with respect to our third-party cloud infrastructure in the future due to a variety of factors, including infrastructure changes, human, hardware or software errors, hosting disruptions and capacity constraints. Such issues could also arise from a number of causes such as technical failures, natural disasters, fraud or security attacks. The level of services provided by these providers, or regular or prolonged interruptions in that service, could also adversely affect our students' use of our online platform and, consequently, our business and reputation. In addition, hosting costs will increase as our user base grows, which could adversely affect our business if we are unable to grow our revenue sufficiently to offset such increase. Furthermore, our providers have broad discretion to change and interpret the terms of service and other policies with respect to us, and those actions may be unfavorable to our business operations. Our providers may also take actions beyond our control that could seriously harm our business, including discontinuing or limiting our access to one or more services, increasing service prices, terminating or seeking to terminate our contractual relationship altogether, or altering how we are able to process data in a way that is unfavorable or costly to us. If our arrangements with our current providers were terminated, we could experience interruptions in our ability to make our online offerings available to students, as well as delays and additional expenses in arranging for alternative cloud infrastructure services. As a result, we may incur additional costs, fail to attract or retain students, or be subject to potential liability, any of which could have an adverse effect on our business, results of operations and financial condition.

We also rely on third-party mobile app stores, such as Apple's App Store and Android application stores, to deliver our mobile apps to students. As such, the promotion, delivery and operation of our mobile apps are subject to the standard terms and policies imposed by these stores on app developers, which are subject to the interpretation of, and frequent changes by, these app stores. If any major app store interprets or changes its standard terms and conditions in a manner that is detrimental to us in the future, or terminate its existing relationship with us, our mobile apps may be suspended by or removed from such app stores, which in turn could materially and adversely affect our business, results of operations and financial condition.

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In addition, we rely on other third-party service providers in our ordinary course of business, such as suppliers for paper, publishing service providers, printing service providers, marketing service providers and information technology service providers. If our relationships with these third-party service providers deteriorate or are terminated, or we fail to establish or maintain relationships with them on commercially viable terms, we may not be able to quickly locate alternative providers. As a result, our business and operations may be adversely affected.

Any change, disruption, discontinuity in the features and functions of major social networks in China could materially and adversely affect our business and results of operations.

We leverage social media platforms in China as a tool for user acquisition and engagement. For example, we share with users information on recruitment plans and examination schedules through social media platforms, such as Weixin mini-programs. To the extent that we fail to leverage such platforms, our ability to attract or retain students may be severely harmed. If any of these platforms makes changes to its functions or support unfavorable to us, or even stops offering its functions or support to us, we may not be able to locate alternative platforms of similar scale to provide similar functions or support on commercially reasonable terms in a timely manner, or at all. Furthermore, we may fail to establish or maintain relationships with additional social network operators to support the growth of our business on economically viable terms, or at all. Any interruption to or discontinuation of our relationships with major social network operators in China may severely and negatively impact our ability to continue growing our user base, and any occurrence of the circumstances mentioned above may have a material adverse effect on our business, results of operations and financial condition.

We are exposed to credit risks in relation to our contract assets and trade receivables. We may also need to recognize impairment losses on prepayment and other receivables, which could adversely affect our results of operations and financial condition.

Contract assets primarily represented our right to consideration in relation to our postpaid contractual classes that allow for postponed payment of a portion of the course fees only upon passing the relevant examinations. We record a certain percentage of the course fees to be collected for postpaid contractual classes as contract assets based on the estimated passage rates and the service progress. We had contract assets of nil, nil, RMB20.5 million and RMB60.2 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Our trade receivables primarily consisted of amounts due from third-party book sellers for our textbooks and learning materials. We generally grant third-party book sellers a credit period of no more than 60 days. We had trade receivables of RMB4.7 million, RMB7.5 million, RMB5.7 million and RMB18.2 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. In 2019, 2020, 2021 and the six months ended June 30, 2020, we recorded loss allowance for contract assets and trade receivables of RMB51,000, RMB0.2 million, RMB0.3 million and RMB0.7 million, respectively. For details, see Note 3.1(b) to the Accountant's Report in Appendix I to this prospectus. We are exposed to the risks that our students and/or customers may delay or even be unable to pay us in accordance with the payment terms and we cannot assure you that we will be able to fully recover the outstanding amounts in a timely manner, or at all. In addition, as our business continues to scale up, our contract assets and trade receivables may continue to grow, which may increase our credit risk exposure. Any significant delay in payment or default by our students and/or customers could affect our liquidity and cash flows, which may in turn adversely affect our results of operations and financial condition.

Moreover, we had prepayment and other receivables of RMB56.7 million, RMB90.9 million, RMB132.4 million and RMB96.4 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, which primarily consisted of prepayment paid to our suppliers in our daily operations, such as landlords and property management service providers in connection with the leased properties for our classroom-based tutoring, as well as paper suppliers. If we need to recognize impairment losses on prepayment and other receivables, our results of operations and financial condition may be adversely affected.

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Failure to manage our inventories effectively would adversely affect our results of operations and financial condition.

Our inventories primarily consisted of finished goods, raw materials and work in progress primarily in connection with our sales of textbooks and learning materials. To operate our business successfully and meet our customers' demands and expectations, we must manage our inventories effectively to ensure immediate delivery when required. We regularly monitor our inventories to ensure timely supply and reduce the risk of overstocking. We maintain our inventory levels based on our internal forecasts, which are inherently uncertain. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had inventories of RMB52.6 million, RMB73.8 million, RMB87.2 million and RMB88.7 million, respectively. In 2019, 2020, 2021 and the six months ended June 30, 2022, our inventories turnover days were 36 days, 14 days, 11 days and 21 days, respectively. See "Financial Information — Discussion of Major Balance Sheet Items — Inventories." We may be exposed to increased inventory risks due to accumulated excess inventories of our books and learning materials or raw materials, some of which may become less popular after certain periods. Excess inventory levels may increase our inventory holding costs, obsolescence risks or potential impairment loss. On the other hand, if our forecasted demand is lower than actual level, we may not be able to maintain an adequate inventory level of our products or produce our products in a timely manner, and may lose sales and market share to our competitors. If we fail to manage our inventories effectively, our results of operations and financial condition could be adversely affected.

We are exposed to risks associated with our investment in wealth management products and derivatives.

We had financial assets at fair value through profit or loss of RMB280.2 million, RMB351.6 million, RMB10.1 million and nil as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, all of which represented our investment in wealth management products. We also invested in foreign exchange derivatives during the Track Record Period to manage our exposure to foreign exchange risk in relation to proceeds from our equity financing denominated in US dollars, which presented no balance at the end of each reporting period during the Track Record Period. We believe there has been no off-balance sheet risk associated with our investment in derivatives. We have implemented investment and treasury management policies during the Track Record Period in connection with our investment in wealth management products and foreign exchange derivatives. See "Financial Information — Discussion of Major Balance Sheet Items — Financial Assets at Fair Value through Profit or Loss — Investment and treasury management policies."

We are subject to risks associated with non-performance by the counterparties. For example, the banks and/or securities companies that issue wealth management products and derivatives may fail to perform their contractual obligations in the event of bankruptcy or insolvency. Any material non-performance of our counterparties with respect to the wealth management products and derivatives we invest in could materially and adversely affect our results of operations, financial position and cash flow. Furthermore, our investments in wealth management products and derivatives are subject to the overall market conditions, including the capital markets, which exposes us to the risk of valuation uncertainty.

The fair value of our investments in wealth management products and derivatives during the Track Record Period was based on one or more significant inputs that are unobservable. See Note 3.3 to the Accountant's Report in Appendix I to this prospectus. We recorded fair value gains on financial assets at fair value through profit or loss of RMB4.8 million, RMB9.8 million, RMB19.5 million, RMB15.7 million and RMB5.1 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. We also recorded net fair value losses on derivatives of RMB13.4 million as a result of the differences between the predetermined exchange rates and the actual exchange rates at the maturity dates of our derivatives. Any volatility in the market or fluctuations in interest rates may negatively impact the fair value of these wealth management products and derivatives, which may in turn have a material adverse effect on our results of operations and financial condition.

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We have granted and may continue to grant share-based awards, which could result in share-based payments that may affect our financial performance and potentially dilute existing shareholders' ownership.

We have adopted the Pre-IPO Share Option Scheme that permits the grant of share options as equity-based awards to our Directors, members of the senior management, employees and consultants. We believe the granting of such share options is important to our ability to attract, retain and motivate our management team and qualified employees. We are required to recognize share-based payments based on the fair value of such granted share options, taking into consideration the impact of market performance conditions and non-vesting conditions. As of the Latest Practicable Date, we granted options to subscribe for an aggregate of 218,537,500 Shares (after the Share Subdivision). The Shares underlying the granted options represent 10.42% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Option Scheme). We recorded share-based payments of RMB21.2 million, RMB121.6 million, RMB415.4 million, RMB172.3 million and RMB83.2 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively. Any additional grant of share-based awards by us, including options under the Pre-IPO Share Option Scheme, will further increase our share-based payments, which may adversely affect on our results of operations and financial condition, and potentially dilute existing shareholders' ownership.

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

Pursuant to the PRC Enterprise Income Tax Law and related regulations, enterprises which operate in China are generally subject to enterprise income tax at a statutory rate of 25% on the taxable profit, while enterprises recognized as a “high and new technology enterprise” (高新技術企業) (“HNTE”) are entitled to a preferential tax rate of 15%. Fenbi Bluesky, our PRC operating entity, was recognized as an HNTE in December 2016 and renewed the HNTE status in December 2019. As a result, Fenbi Bluesky was subject to a preferential tax rate of 15% during the Track Record Period. According to the relevant administrative measures, to qualify as an HNTE, Fenbi Bluesky must meet certain financial and non-financial criteria and complete verification procedures with the administrative authorities. Continued qualification as an HNTE is subject to a three-year review by the relevant government authorities in China, and in practice certain local tax authorities also require annual evaluation of the qualification. In addition, Nanjing Youxue Culture Media Co., Ltd. (南京優學文化傳媒有限公司) and Beijing Shengshi Jintu Culture Communication Co., Ltd. (北京盛世金圖文化傳播有限公司) were qualified as small-and-micro enterprises during the Track Record Period. Pursuant to the preferential tax treatment available to small-and-micro enterprises, the first RMB1 million of their annual assessable profits is eligible for a 75% deduction and is entitled to a reduced enterprise income tax rate of 20%, and the portion of the annual assessable profits between RMB1 million and RMB3 million is eligible for a 50% deduction and is entitled to a reduced enterprise income tax rate of 20%. In the event the preferential tax treatments are discontinued or not verified by the local tax authorities, and the affected entity fails to obtain preferential tax treatments based on other qualifications, it will become subject to the standard PRC enterprise income tax rate of 25%. According to relevant laws and regulations promulgated by the State Council that was effective from 2008 onwards, enterprises engaging in R&D activities were entitled to claim 150% of their research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year (the “Super Deduction”). SAT announced in September 2018 that enterprises engaging in R&D activities would be entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020. From 2021 onwards, the Super Deduction ratio has increased to 200%. We have made our best estimate for the Super Deduction to be claimed in ascertaining assessable profits. In addition, enterprises engaging in life services in China, including education service providers such as our Company, were eligible to claim additional deductions of value added tax (“VAT”). There is no assurance that we will continue to be qualified to enjoy the above-mentioned preferential tax treatments, or such treatments will not change in the future, which may have a negative impact on our business, results of operations and financial condition.

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We may face risk regarding the recoverability of deferred income tax assets.

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had deferred income tax assets of nil, RMB40.0 million, RMB64.8 million and RMB41.5 million, respectively. See Note 28 to the Accountant's Report in Appendix I to this prospectus for details. Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize the temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and the unused tax losses. This requires significant judgment on the tax treatments of certain transactions and assessment on the probability that adequate future taxable profits will be available for the deferred income tax assets to be recovered. We cannot guarantee the recoverability or predict the movement of our deferred income tax assets. In the case that the value of the deferred income tax assets has changed, we may have to write down the deferred income tax assets, which may adversely affect our results of operations and financial condition.

Our results of operations and financial condition may be adversely affected by fair value changes of financial liabilities at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs.

In 2021 and the six months ended June 30, 2021 and 2022, we recognized fair value losses of financial liabilities at fair value through profit or loss of RMB583.0 million, RMB19.7 million and RMB383.8 million, respectively, primarily relating to convertible preferred shares issued in our equity financings. We applied discounted cash flow method to determine the underlying equity value of our Company and adopted option pricing method and equity allocation model to determine the fair value of the convertible preferred shares. Our financial liabilities at fair value through profit or loss were classified as level 3 instruments for financial reporting purpose. The related fair value measurement was based on significant unobservable inputs, including discount rate, discounts for lack of marketability and expected volatility, the changes of which will lead to changes in the fair value. See Note 3.3 and Note 26 to the Accountant's Report in Appendix I to this prospectus for details. As such, we are exposed to fair value change of financial liabilities at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs.

We received government grants and subsidies during the Track Record Period, and we may not receive such grants or subsidies in the future.

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we recognized government grants of nil, RMB0.6 million, RMB8,000, nil and RMB0.9 million, respectively, primarily representing individual income tax withholding returns. In addition, pursuant to relevant government relief policies amid the COVID-19 outbreak, we were granted rent concession of RMB0.6 million, RMB0.3 million and RMB0.6 million in 2020, 2021 and the six months ended June 30, 2022, respectively. Our eligibility for government grants and subsidies is dependent on a variety of factors, including relevant government policies and availability of funding at different granting authorities. In addition, the policies according to which we received government grants and subsidies may be halted by the relevant government authorities at their sole discretion. We cannot assure you that we will continue to receive such government grants and subsidies or receive similar level of government grants and subsidies, or at all, in the future. Any loss of or reduction in government grants and subsidies may have an adverse effect on our results of operations and financial condition.

Our operations depend on the performance of the internet infrastructure and telecommunications networks in China.

The successful operation of our business depends on the performance of the internet infrastructure and telecommunications networks in China. Almost all access to the internet is maintained through state-owned telecommunications operators under the administrative control and regulatory supervision by MIIT. Moreover, we have entered into contracts with various subsidiaries of a limited number of telecommunications service providers at provincial level and rely on them to provide us with data communications capacity through local telecommunications lines. We have limited access to alternative networks or services in the event of disruptions, failures or other problems with China's internet infrastructure or the telecommunications networks provided by telecommunications service providers.

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We regularly serve a large number of students. With the expansion of our business, we may be required to upgrade our technology and infrastructure to keep up with the increasing traffic on our online platform. However, we have no control over the costs of the services provided by telecommunications service providers. If the prices we pay for telecommunications and internet services rise significantly, our results of operations may be materially and adversely affected. If internet access fees or other charges to online users increase, our user traffic may decline and our business may be harmed.

Our platform incorporates open-source software, which may pose risks and uncertainties in a manner that negatively affects our business.

We currently use open-source software on our online platform and will continue to do so in the future. There is a risk that open-source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our content on our online platform. Additionally, we may face claims from third parties claiming ownership of, or demanding release of, the open-source software or derivative works that we developed using such software. These claims could result in litigation and could require us to make our software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. As a result, our business, results of operations and financial condition might be adversely and materially affected.

We may need additional capital, and we may be unable to obtain such capital in a timely manner or on acceptable terms, or at all.

We believe that our available cash and cash equivalents, wealth management products, anticipated cash flows from operations, and net proceeds from the Global Offering will be sufficient to meet our present and anticipated cash requirements for the next 12 months from the date of this prospectus. We may, however, require additional capital to finance our continued growth or other future developments. To the extent that our funding requirements exceed our financial resources, we will be required to seek additional financing or to defer planned expenditures. We cannot assure you that we can obtain additional funds on terms acceptable to us, or at all. If we are unable to obtain adequate financing on terms satisfactory to us when we require it in the future, our ability to continue to support our business growth could be significantly impaired, and our business and prospects could be adversely affected. In addition, our ability to raise additional capital in the future is subject to a variety of uncertainties, including without limitation:

- our market position and competitiveness in China's career test preparation industry;
- our future profitability, results of operations, financial condition and cash flows;
- general market conditions for capital raising and debt financing activities; and
- economic, political and other conditions in China and elsewhere.

Furthermore, if we raise additional funds through equity or equity-linked financings, your equity interest in our Company may be diluted. Alternatively, if we raise additional funds by incurring debt obligations, we may be subject to various covenants under the relevant debt instruments that may, among other things, restrict our ability to pay dividends or obtain additional financing. Servicing such debt obligations could also be burdensome to our operations. If we fail to service such debt obligations or are unable to comply with any of these covenants, we could be in default under such debt obligations and our liquidity and financial condition could be materially and adversely affected.

Future strategic alliances, acquisitions or investments may have a material and adverse effect on our business, results of operations and financial condition.

We may enter into strategic alliances or investments, including joint ventures or minority equity investments, with various third parties to further our business purpose from time to time. These alliances and investments could subject us to a number of risks, including risks associated with sharing

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proprietary information, non-performance by the third party and increased expenses in establishing new strategic alliances, any of which may materially and adversely affect our business. We may have limited ability to monitor or control the actions of these third parties and, to the extent any of these strategic third parties suffers negative publicity or harm to their reputation from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with any such third party.

In addition, if appropriate opportunities arise, we may acquire additional businesses, platforms, assets or technologies that we believe can expand and strengthen our course offerings and market coverage, as well as our technological and service capabilities. Future acquisitions and the subsequent integration of new assets and businesses into our own would require significant attention from our management and could result in a diversion of resources from our existing business, which in turn could have an adverse effect on our business operations. Acquired assets or businesses may not generate the financial results we expect. Acquisitions could result in the use of substantial amounts of cash, potentially dilutive issuances of equity securities, the occurrence of significant goodwill impairment charges, amortization expenses for other intangible assets and exposure to potential unknown liabilities of the acquired business. It may also pose the risk that we may be exposed to successor liability relating to the actions by an acquired company and its management before and after the acquisition. The due diligence that we conduct in connection with an acquisition or investment may not be sufficient to discover unknown liabilities, and any contractual guarantees or indemnities that we receive from the sellers of the target companies and/or their shareholders may not be sufficient to protect us from, or compensate us for, actual liabilities. Moreover, the costs of identifying and consummating investments may be significant. In addition to possible Shareholders' approval, we may also have to obtain approvals and licenses from relevant government authorities for the investments and to comply with any applicable PRC laws and regulations, which could result in delays and increased costs. Additionally, if the management team or key employees of an acquired company fail to perform as expected, this may adversely affect the business performance of such acquired company and, in turn, have a material adverse effect on our business, results of operations and financial condition.

Our Controlling Shareholders have substantial influence over our Company and their interests may not be aligned with the interests of our other Shareholders.

Our Controlling Shareholders have substantial influence over our business, including matters relating to our management, policies and decisions regarding mergers, expansion plans, consolidations and sales of all or substantially all of our assets, election of directors and other significant corporate actions. Immediately after the completion of the Global Offering, without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options granted under the Pre-IPO Share Option Scheme, our Controlling Shareholders will collectively hold approximately 35.00% of the enlarged share capital of our Company. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive other Shareholders of an opportunity to receive a premium for their Shares as part of a sale of our Company and might reduce the price of our Shares. In addition, our Controlling Shareholders may exercise their substantial influence over us and cause us to enter into transactions or take, or fail to take, actions or make decisions that conflict with the best interests of our other Shareholders.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases in the PRC may materially and adversely affect our business, results of operations and financial condition.

Any future occurrence of force majeure events, natural disasters or outbreaks of epidemics and contagious diseases, such as the COVID-19 pandemic, H1N1 flu, H7N9 flu, avian influenza, severe acute respiratory syndrome or SARS, Zika virus and Ebola virus, could restrict the level of business activities in affected areas, which may, in turn, materially and adversely affect our business, results of operations and financial condition. Moreover, China has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in China may materially and adversely affect its economy and subsequently our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and

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contagious diseases, or the measures taken by the PRC government or other countries in response to such incidents, will not seriously disrupt our operations, which may materially and adversely affect our business, results of operations and financial condition.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in the Consolidated Affiliated Entities.

We are a company incorporated under the laws of the Cayman Islands, and Fenbi ShangAn, our indirect wholly-owned PRC subsidiaries, is considered as a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct a portion of our business in China through the Consolidated Affiliated Entities based on the Contractual Arrangements, which enable us to (1) have the power to direct the activities that most significantly affect the economic performance of the Consolidated Affiliated Entities; (2) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by Fenbi ShangAn; and (3) have an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entities and all or part of their assets when and to the extent permitted by PRC law, or request any Registered Shareholders to transfer any or part of the equity interest in the Consolidated Affiliated Entities to another PRC person or entity designated by Fenbi ShangAn at any time at its discretion; and (4) have the pledged equity interests in Fenbi Bluesky to ensure the performance of the above items. Because of these Contractual Arrangements, we are the primary beneficiary of the Consolidated Affiliated Entities and hence treat the Consolidated Affiliated Entities as our PRC operating entities, and combine their results of operations into ours. The Consolidated Affiliated Entities hold the licenses, approvals and key assets that are essential for our business operations.

Our PRC Legal Advisors, based on their understanding of the relevant laws and regulations, are of the opinion that our Contractual Arrangements are not in violation of any applicable PRC law, rule or regulation currently in effect, and constitute valid and binding obligations against each party to such agreements in accordance with their terms. However, our PRC Legal Advisors also advised that as there are substantial uncertainties regarding the interpretation and application of the PRC laws, rules and regulations, including but not limited to, those governing our business, or the enforcement and performance of our Contractual Arrangements, there can be no assurance that the PRC government would ultimately take a view that is consistent with the opinion of our PRC Legal Advisors. If the PRC government finds that our Contractual Arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we or the Consolidated Affiliated Entities are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our subsidiaries and the Consolidated Affiliated Entities may not be able to comply;
- requiring us or our subsidiaries and the Consolidated Affiliated Entities to restructure the relevant ownership structure or operations;

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- restricting or prohibiting our use of the proceeds from the initial public offering or other of our financing activities to finance the business and operations of the Consolidated Affiliated Entities; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, results of operations and financial condition. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to combine the financial results of the Consolidated Affiliated Entities into our consolidated financial statements, if the PRC governmental authorities find our legal structure and Contractual Arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entities, we may not be able to combine their results of operations into our consolidated financial statements in accordance with IFRS.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. The Consolidated Affiliated Entities or the Registered Shareholders may fail to perform their obligations under our Contractual Arrangements.

Due to the PRC restrictions or prohibitions on foreign ownership of internet and other related businesses in China, we operate a portion of our business in China through the Consolidated Affiliated Entities. We rely on the Contractual Arrangements with Consolidated Affiliated Entities and the Registered Shareholders to control and operate the business of the Consolidated Affiliated Entities. The Contractual Arrangements are intended to provide us with effective control over the Consolidated Affiliated Entities and allow us to obtain economic benefits from them. See “Contractual Arrangements” for details.

Although we have been advised by our PRC Legal Advisors that our Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these Contractual Arrangements may not be as effective in providing control over the Consolidated Affiliated Entities as direct ownership. If the Consolidated Affiliated Entities or the Registered Shareholders fail to perform their respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. The Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from the Contractual Arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is not as developed as in other jurisdictions, such as the United States. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce the Contractual Arrangements. If we are unable to enforce the Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over the Consolidated Affiliated Entities and may lose control over their assets. As a result, we may be unable to combine the results of operations of the Consolidated Affiliated Entities into our consolidated financial statements, and our ability to conduct our business may be adversely affected.

We may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to our business operations if the Consolidated Affiliated Entities were to declare bankruptcy or become subject to a dissolution or liquidation proceeding.

If any of the Consolidated Affiliated Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority against such third-party creditors on the assets of the Consolidated Affiliated Entities. If the Consolidated

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Affiliated Entities liquidate, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and recover any outstanding liabilities owed by the Consolidated Affiliated Entities to Fenbi ShangAn under the applicable service agreement.

If the Consolidated Affiliated Entities were to attempt to voluntarily liquidate as required by the applicable PRC laws, we could request the Consolidated Affiliated Entities to transfer all of their assets to a PRC entity or individual designated by Fenbi ShangAn in accordance with the Exclusive Option Agreement. In addition, under the Contractual Arrangements, the Registered Shareholders do not have the right to issue dividends to themselves or otherwise distribute the retained earnings or other assets of the Consolidated Affiliated Entities without our consent. In the event that the Registered Shareholders initiate a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of the Consolidated Affiliated Entities without our prior consent, we may need to resort to legal proceedings to enforce the terms of the Contractual Arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain.

The Registered Shareholders may have conflicts of interest with us, and they may breach their obligations under the Contractual Arrangements or cause such arrangements to be amended in a manner contrary to our interests.

Our control over the Consolidated Affiliated Entities is based upon the Contractual Arrangements with the Registered Shareholders. The Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertaking if it would further their own interest or if they otherwise act in bad faith. We cannot assure you, however, that when conflicts of interest arise, the Registered Shareholders will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such conflicts of interest, the Registered Shareholders may breach or cause Fenbi Bluesky to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from our Consolidated Affiliated Entities. If we cannot resolve such conflict of interest or dispute between us and the Registered Shareholders should it arise, 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. These uncertainties may impede our ability to enforce the Contractual Arrangements. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

If we exercise the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, Fenbi ShangAn or its designated person(s) have the exclusive right to purchase all or any part of the equity interests in the Consolidated Affiliated Entities from the Registered Shareholders, or to purchase from the Consolidated Affiliated Entities all or any part of their assets.

The equity and/or asset transfer may be subject to the approvals from and filings with MOFCOM, MIIT, the SAMR and/or their local competent branches. In addition, the equity and/or asset transfer price may be subject to review and tax adjustment by the relevant tax authority. To the extent permitted by the PRC laws and regulations, the Registered Shareholders and/or the Consolidated Affiliated Entities will pay the equity and/or asset transfer price it receives to Fenbi ShangAn under the Contractual Arrangements. The amount to be received by Fenbi ShangAn may also be subject to enterprise income tax. Such tax amounts could be substantial.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the China International Economic and Trade Arbitration Commission. See "Contractual Arrangements — Contractual Arrangements — Dispute Resolution." The Contractual

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Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the Consolidated Affiliated Entities, and injunctive relief and/or winding up of the Consolidated Affiliated Entities. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, our PRC Legal Advisors are of the view that the tribunal normally would not grant such injunctive relief or order the winding-up of the Consolidated Affiliated Entities pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable under the current PRC laws. These uncertainties could limit our ability to enforce the Contractual Arrangements.

Uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, business, results of operations, financial condition and prospects.

On March 15, 2019, the NPC promulgated the Foreign Investment Law (中華人民共和國外商投資法) (the “FIL”), which has become effective on January 1, 2020 and replaced the trio of existing laws regulating foreign investment in China, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. See “Regulation — Regulations Related to Foreign Investment.” The FIL embodies an expected PRC regulatory trend to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. The current FIL does not mention concepts such as “actual control” and “controlling PRC companies by contracts or trusts” that were included in the previous drafts, nor does it specify regulations on controlling through contractual arrangements. As a result, this regulatory topic remains unclear under the FIL. However, since the FIL is relatively new, uncertainties still exist in relation to its interpretation and implementation, and failure to take timely and appropriate measures to cope with the regulatory-compliance challenges could result in a material adverse effect on us. For example, though the FIL does not explicitly classify contractual arrangements as a form of foreign investment, it contains a catch-all provision under the definition of “foreign investment,” which includes investments made by foreign investors in China through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment, at which time it will be uncertain whether our Contractual Arrangements will be deemed to be in violation of the market access requirements for foreign investment in the PRC and if yes, how our Contractual Arrangements should be dealt with. In addition, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to existing contractual arrangements, we may face substantial uncertainties as to whether we can complete such actions in a timely manner, or at all. In the worst-case scenario, we may be required to unwind our existing Contractual Arrangements and/or dispose of the relevant business operations, which could have a material adverse effect on our current corporate structure, corporate governance, business, results of operations, financial condition and prospects.

Our Contractual Arrangements may result in adverse tax consequences to us.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements do not represent an arms-length price and adjust the income of the Consolidated Affiliated Entities in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction of expense deductions recorded by the Consolidated Affiliated Entities for PRC tax purposes, or could limit the ability of the Consolidated Affiliated Entities to enjoy preferential tax treatments, which could in turn increase their tax liabilities. For example, assuming that (1) the Contractual Arrangements were adopted throughout the Track Record Period, (2) Fenbi ShangAn had been established and readily functioned for provision of the relevant services under the Business Cooperation and Service Agreement throughout the Track Record Period, (3) the amounts of the services fees during

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the year had represented arm's-length transaction price for PRC tax purposes, and (4) the business scope and tax rates of the relevant entities had remained unchanged throughout the Track Record Period due to any assumptions made, our net profit/loss for 2019, 2020, 2021 and the six months ended June 30, 2022 would have been decreased by RMB9.1 million, nil, nil and RMB10.4 million, respectively, as a result of the 10% difference between the standard PRC income tax rate of 25% applicable to the services fees that would have been received by Fenbi ShangAn and the preferential income tax rate of 15% applicable to Fenbi Bluesky. See "Contractual Arrangements — Accounting Aspects of the Contractual Arrangements." In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

We do not have any insurance to cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.

Our insurance does not cover the risks relating to the Contractual Arrangements and the transactions contemplated thereunder, and we may not purchase any insurance in this regard as the insurance industry in China is still at an early stage of development, and insurance companies in China currently offer limited business-related insurance products. If any risk arises from the Contractual Arrangements in the future, such as those affecting the enforceability of the Contractual Arrangements, our business, results of operations and financial condition may be adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

We may be subject to the approval or other requirements of the CSRC or other PRC governmental authorities in connection with future capital raising activities.

On July 6, 2021, the General Office of the State Council, together with another regulatory authority, jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law (關於依法從嚴打擊證券違法活動的意見), which calls for enhanced administration and supervision of overseas-listed China-based companies, proposes to revise the relevant regulation governing the overseas issuance and listing of shares by such companies, and clarifies the responsibilities of competent domestic industry regulators and government authorities. As of the Latest Practicable Date, due to the lack of further clarifications or detailed rules and regulations, there remained uncertainties regarding the interpretation and implementation of the opinions, including its applicability to China-based companies with a VIE structure.

On December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) (the "Draft Overseas Listing Administration Provisions") and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (the "Draft Overseas Listing Filing Measures"), which are open for public comments until January 23, 2022. The Draft Overseas Listing Administration Provisions comprehensively improved and reformed the exiting regulatory system for overseas offering and listing of domestic companies, and brought all overseas listing activities including both direct and indirect overseas offering and listing under regulation by adopting a filing-based administration system. Under the Draft Overseas Listing Administration Provisions, the securities offering and listing in an overseas market made in the name of an offshore entity but based on the underlying equity, assets, earnings or other similar rights of a domestic company that operates its main business domestically may be deemed as indirect overseas offering and listing, and thus the offshore entity shall fulfill the filing procedure with the CSRC instead of obtaining the approval from the CSRC. As of the Latest Practicable Date, the Draft Overseas Listing Administration Provisions and the Draft Overseas Listing Filing Measures had not come into effect. The interpretation, application and enforcement of the regulations remain unclear. If the filing procedure with the CSRC under the Draft Overseas Listing Administration Provisions is required, it is uncertain whether we could complete the filing procedure in a timely manner, or at all.

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If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements for this offering or future capital raising activities, we may fail to obtain such approval or meet such requirements in a timely manner or at all, or completion could be rescinded. Any failure to obtain or delay in obtaining such approval or completing such procedures for this offering or future capital raising activities, or a rescission of any such approval obtained by us, would subject us to sanctions by the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operating privileges in China, delay or restrict the repatriation of the proceeds from this offering or future capital raising activities into China, or take other actions that could materially and adversely affect our business, financial condition, results of operations and prospects, as well as the trading price of our Shares.

The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt this offering or future capital raising activities before settlement and delivery of the Shares offered hereby. 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 settlement and delivery may not occur. In addition, if the CSRC or other regulatory authorities later promulgate new rules or explanations requiring that we obtain their approvals or accomplish the required filing or other regulatory procedures for this offering or future capital raising activities, we may be unable to obtain a waiver of such approval requirements, if and when procedures are established to obtain such a waiver. Any uncertainties or negative publicity regarding such approval, filing or other requirements could materially and adversely affect our business, prospects, financial condition, reputation, and the trading price of the Shares.

The economic, political and social conditions of China could affect our business, results of operations and financial condition.

We conduct all of our business operations in China. Accordingly, our business, results of operations, financial condition and prospects are, to a significant degree, subject to the economic, political and social conditions in China. The Chinese economy differs from the economies of developed countries in many respects, including the degree of government involvement, control of capital investment, as well as the overall level of development. Although the PRC government has implemented measures since the late 1970s 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 PRC 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 through the allocation of resources, controlling payment of foreign currency denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. We cannot predict future changes in China's economic, political and social condition and the effect that new government policies will have on our business and future prospects. Any actions and policies adopted by the PRC government or any prolonged slowdown in China's economy, in particular the career test preparation industry, could have a negative impact on our business, operating results and financial condition in a number of ways.

Uncertainties and changes in the Chinese legal system could materially and adversely affect our business.

Our business operations are based in China and governed by PRC laws and regulations. The PRC legal system is based on written statutes. 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 and regulations governing economic matters in general, and forms of foreign investment (including wholly foreign-owned enterprises and joint ventures) in particular. These laws, regulations and legal requirements, including those governing PRC tax matters, are relatively new and amended frequently, and their interpretation and enforcement often raise uncertainties that could limit the reliability of the legal protections available to us. In addition, the PRC legal system is based in part on government

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policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not be aware of our violations of these policies and rules until the violations have occurred. Furthermore, the PRC administrative and court authorities have significant discretions in interpreting and implementing or enforcing statutory rules and contractual terms, and it may be more difficult to predict the outcome of administrative and court proceedings and the level of legal protection we may enjoy in China versus other more developed legal systems. These uncertainties may affect our judgment on the relevance of legal requirements and our decisions on the measures and actions to be taken to fully comply therewith, and may affect our ability to enforce our contractual or tort rights. Such uncertainties may result in substantial operating expenses and costs, and any litigation in China may result in diversion of resources and management's attention, and therefore materially and adversely affect our business and results of operations. We cannot predict future developments in the PRC legal system. We may be required to procure additional permits, authorizations and approvals for our operations, which we may not be able to obtain. Our inability to obtain such permits or authorizations may materially and adversely affect our business, results of operations and financial condition.

We may be unable to complete a business combination transaction efficiently or on favorable terms due to complicated merger and acquisition regulations.

On August 8, 2006, six PRC regulatory authorities, including MOFCOM, the State Assets Supervision and Administration Commission, SAT, the State Administration for Industry & Commerce of the PRC ("SAIC"), the CSRC and SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "M&A Rules"), which became effective on September 8, 2006 and was amended and enacted by MOFCOM in June 2009. The M&A Rules, governing the approval process by which a PRC company may participate in an acquisition of assets or equity interests by foreign investors, requires the foreign investors to make a series of applications and supplemental applications to the government agencies, depending on the structure of the transaction. In some instances, the application process may require presentation of economic data concerning a transaction, including appraisals of the target business and evaluations of the acquirer, which are designed to allow the government to assess the transaction. Accordingly, due to the M&A Rules, our ability to engage in business combination transactions has become significantly more complicated, time-consuming and expensive, and we may not be able to negotiate a transaction that is acceptable to our Shareholders or sufficiently protect their interests in a transaction.

The M&A Rules allow PRC government agencies to assess the economic terms of a business combination transaction. Parties to a business combination transaction may have to submit to MOFCOM and other relevant government agencies an appraisal report and the acquisition agreement, all of which form part of the application for approval, depending on the structure of the transaction. The M&A Rules also prohibit a transaction at an acquisition price obviously lower than the appraised value of the PRC business or assets and in certain transaction structures, require that consideration must be paid within defined periods, generally not in excess of a year. In addition, the M&A Rules also limit our ability to negotiate various terms of the acquisition, including aspects of the initial consideration, contingent consideration, holdback provisions, indemnification provisions and provisions relating to the assumption and allocation of assets and liabilities. Transaction structures involving trusts, nominees and similar entities are prohibited. Therefore, such regulation may impede our ability to negotiate and complete a business combination transaction on legal and/or financial terms that satisfy our investors and protect our Shareholders' economic interests.

If we were required to obtain the prior approval of MOFCOM and/or the CSRC for or in connection with our restructuring or the Listing, our failure to do so may have a material adverse effect on our business.

The M&A Rules require PRC domestic enterprises or domestic natural persons to obtain prior approval of MOFCOM when an offshore company established or controlled by them proposes to merge with or acquire shares or assets of a PRC domestic company with which such enterprises or persons have a connected relationship. The M&A Rules also include, among other things, provisions that purport to require that an offshore special purpose vehicle that is controlled by PRC domestic companies or individuals and that has been formed for the purpose of an overseas listing of securities

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through acquisitions of PRC domestic companies or assets to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. In addition, given that there are no explicit provisions in the M&A Rules which clearly classify the Contractual Arrangements as a type of merger or acquisition transaction falling under the M&A Rules, our PRC Legal Advisors have advised us that the Contractual Arrangements were not subject to the M&A Rules.

However, there has been no official interpretation or clarification of the M&A Rules, and there exists uncertainty as to how this regulation will be interpreted or implemented. As further advised by our PRC Legal Advisors, the M&A Rules are unclear in certain respects, including as to what constitutes a merger with or acquisition of PRC domestic enterprises, what constitutes circumvention of its approval requirements, and the CSRC currently has not issued any definitive rule or interpretation concerning whether the listing like ours are subject to the M&A Rules.

There can be no assurance that the relevant PRC government authorities, including without limitation, the CSRC and MOFCOM, would reach the same conclusion as our PRC Legal Advisors. In addition, if MOFCOM, the CSRC or other PRC regulatory agencies later promulgate new rules or explanations requiring us to obtain their approvals for this offering, we may be unable to obtain waivers of such requirements.

If MOFCOM, the CSRC or other PRC regulatory agencies subsequently determines that its approval of our restructuring and/or the Listing should have been obtained, we may face regulatory actions or other sanctions by MOFCOM, the CSRC or other PRC regulatory agencies, which could have a material adverse effect on our business, results of operations and financial condition.

We may be deemed to be a PRC tax resident under the EIT Law, and as a result, our global income could be subject to PRC withholding tax and enterprise income tax.

We are a holding company incorporated under the laws of the Cayman Islands and indirectly hold interests in a Hong Kong-incorporated subsidiary, which in turn directly or indirectly hold interests in our PRC subsidiaries. Pursuant to the EIT Law, effective in January 2008, as amended on December 29, 2018, and its implementation rules, dividends payable by a foreign-invested enterprise to its foreign corporate investors who are not deemed a PRC resident enterprise are subject to a 10% withholding tax, unless such foreign investor's jurisdiction of incorporation has a tax treaty with the PRC that provides for a different withholding tax arrangement. Under the Arrangement between the Mainland of China and Hong Kong Special Administration Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排) promulgated by SAT and the Hong Kong government, effective in January 2007, such dividend withholding tax rate is reduced to 5% for dividends paid by a PRC company to a Hong Kong-resident enterprise if such Hong Kong entity is a "beneficial owner" and such entity directly owns at least 25% of the equity interest of the PRC company. The Announcement on Issues Relating to "Beneficial Owner" in Tax Treaties (國家稅務總局關於稅收協定中"受益所有人"有關問題的公告), effective in April 2018, provides certain factors for the determination of "beneficial owner" status of a company under the treaty. If the PRC tax authorities determine that our Hong Kong subsidiary is not a "beneficial owner," we may not be able to enjoy a preferential withholding tax rate of 5% and dividend payable by our PRC subsidiaries to our Hong Kong subsidiary will be subject to withholding tax at the rate of 10%.

The EIT Law and its implementation rules also provide that if an enterprise incorporated outside China has its "de facto management bodies" within China, such enterprise may be deemed a "PRC resident enterprise" for tax purposes and be subject to an enterprise income tax rate of 25% on its global incomes. "De facto management body" is defined as the body that has the significant and overall management and control over the business, personnel, accounts and properties of an enterprise. In April 2009, SAT promulgated a circular, known as Circular 82, and partially amended by Circular 9 promulgated in January 2014, to clarify the certain criteria for the determination of the "de facto management bodies" for foreign enterprises controlled by PRC enterprises or PRC enterprise groups. Under Circular 82, a foreign enterprise is considered a PRC resident enterprise if all of the following apply: (1) the senior management and core management departments in charge of daily operations are

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located mainly within China; (2) decisions relating to the enterprise's financial and human resource matters are made or subject to approval by organizations or personnel in China; (3) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (4) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. Further to Circular 82, SAT issued a bulletin, known as Bulletin 45, effective in September 2011 and amended on June 1, 2015, October 1, 2016, and June 15, 2018, respectively to provide more guidance on the implementation of Circular 82 and clarify the reporting and filing obligations of such "Chinese-controlled offshore incorporated resident enterprises." Bulletin 45 provides for, among other matters, procedures for the determination of resident status and administration of post-determination matters. Although Circular 82 and Bulletin 45 explicitly provide that the above standards apply to enterprises that are registered outside China and controlled by PRC enterprises or PRC enterprise groups, Circular 82 may reflect SAT's criteria for determining the tax residence of foreign enterprises in general.

However, there have been no official implementation rules regarding the determination of the "de facto management bodies" for foreign enterprises not controlled by PRC enterprises (including companies like ourselves). Therefore, it remains unclear how the tax authorities will treat a case such as ours. However, if the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we will be subject to the uniform 25% enterprise income tax on our global incomes. In addition, although the EIT Law provides that dividend payments between qualified PRC resident enterprises are exempt from enterprise income tax, due to the relatively short history of the EIT Law, it remains unclear as to the detailed qualification requirements for this exemption and whether dividend payments by our PRC subsidiaries to us will meet such qualification requirements even if we are considered a PRC resident enterprise for tax purposes.

There remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC tax authorities, and the PRC tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our shares may be materially affected.

Fluctuations in the value of Renminbi and other currencies may have a material adverse impact on your investment.

As we expand our China operations, we expect to incur more expenditures denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar or U.S. dollar may affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend issued by our PRC subsidiaries. For example, we recorded net foreign exchange gains of RMB12.3 million in 2021 and net foreign exchange losses of RMB43.9 million in the six months ended June 30, 2022 under other gains/losses, net. See "Financial Information — Period to Period Comparison of Results of Operations" and Note 7 to the Accountant's Report in Appendix I to this prospectus for details. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar may affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the PBOC regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

Limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. As of the date of this prospectus, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into

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hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert RMB into foreign currency.

The Chinese government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by SAFE or its local branches or registered with the applicable banks, as the case may be.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, we cannot assure you that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain any necessary approval from SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

We may rely on dividends and other distributions from our PRC subsidiaries to fund our cash and financing requirements, and any limitation on the ability of our subsidiaries to make payments to us could materially and adversely affect our ability to conduct our business.

As an offshore holding company, we may rely in part on dividends from our PRC subsidiaries for our cash requirements, dividends payments and other distributions to our Shareholders, and to service any debt that we may incur and pay our operating expenses. The payment of dividends by entities organized in China is subject to limitations. In particular, PRC regulations permit our subsidiaries to pay dividends only out of their accumulated profits, if any, as determined in accordance with Chinese accounting standards and regulations. In addition, our PRC subsidiaries are required each year to set aside at least 10% of its annual after-tax profits (as determined under PRC accounting standards) into its statutory reserve fund until the aggregate amount of that reserve reaches 50% of such entity's registered capital. These reserves are not distributable as cash dividends.

If our PRC subsidiaries incur debt on their own behalf, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Any limitation on the ability of our subsidiaries to distribute dividends or other payments to us could materially and adversely limit our ability to grow, make investments or acquisitions, pay dividends and otherwise fund and conduct our business.

PRC regulations over loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries.

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises, capital contributions by an offshore holding company to its wholly-owned subsidiary in China shall obtain approvals from or report investment information to MOFCOM or its local counterpart and register with the SAMR or its

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local counterpart to make capital contributions to the foreign-invested enterprises. In addition, any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE or its local branches, and our PRC subsidiaries may not procure loans exceeding the statutory limits and is required to be registered with SAFE or its local branches or file with SAFE through its online service platform. We may not obtain these government approvals or complete such registrations on a timely basis, or at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiaries. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the Global Offering to fund our operations in China may be negatively affected, which in turn could adversely affect our ability to finance and expand our business.

Failure to comply with PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident Shareholders to personal liability, may limit our ability to acquire PRC companies or to inject capital into our PRC subsidiaries, may limit the ability of our PRC subsidiaries to distribute profits to us or may otherwise materially and adversely affect us.

Pursuant to the Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicle (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular 37”), which was promulgated by SAFE, and became effective on July 4, 2014, (1) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an Overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (2) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change in the Overseas SPV’s PRC resident shareholder, name of the Overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division. Additionally, pursuant to the Circular of SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “SAFE Circular 13”), which was promulgated on February 13, 2015 and became effective on June 1, 2015, the aforesaid registration shall be directly reviewed and handled by qualified banks in accordance with the SAFE Circular 13, and SAFE and its branches shall perform indirect regulation over the foreign exchange registration via qualified banks.

As advised by our PRC Legal Advisors, all PRC residents as defined under the applicable provisions under the SAFE Circular 37 who are shareholders of the Overseas SPVs in our Group had completed the required initial foreign exchange registration under SAFE Circular 37 as of the Latest Practicable Date. As SAFE Circular 37 and SAFE Circular 13 are general regulations without specific requirements and interpretations of the aforementioned registrations, it remains unclear how they will be interpreted and implemented, and how or whether SAFE will apply them to us. Therefore, we cannot predict how they will affect our business operations or future strategies. In addition, as we have little control over either our present or prospective, direct or indirect Shareholders or the outcome of such registration procedures, we cannot assure you that these Shareholders who are PRC residents will amend or update their registration as required under SAFE Circular 37 and SAFE Circular 13 in a timely manner or at all. Failure of our present or future Shareholders who are PRC residents to comply with SAFE Circular 37 and SAFE Circular 13 could subject these Shareholders to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit the ability of our PRC subsidiaries to make distributions or pay dividends or affect our ownership structure, which could adversely affect our business and prospects.

We face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

SAT issued the Bulletin on Several Issues concerning the Enterprise Income Tax on the Indirect Transfers of Properties by Non-resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (the “SAT Public Notice 7”), which became effective on February 3, 2015. Under the SAT Public Notice 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable

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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 the SAT Public Notice 7, “PRC taxable assets” include assets attributed to an establishment in China, immovable properties in China, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment, the relevant gain is to be regarded as effectively connected with the PRC establishment and therefore included in its enterprise income tax filing, and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to the immovable properties in China or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment of a non-resident enterprise, a PRC enterprise income tax at 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements, and the party who is obligated to make the transfer payments has the withholding obligation. There is uncertainty as to the implementation details of the SAT Public Notice 7. If the SAT Public Notice 7 was determined by the tax authorities to be applicable to some of our transactions involving PRC taxable assets, our offshore subsidiaries conducting the relevant transactions might be required to spend valuable resources to comply with the SAT Public Notice 7 or to establish that the relevant transactions should not be taxed under the SAT Public Notice 7.

On October 17, 2017, SAT issued the Bulletin on Issues Concerning the Source-based Withholding of Enterprise Income Tax on Non-resident Enterprises (國家稅務總局關於非居民企業所得稅源泉扣繳有關問題的公告) (the “SAT Public Notice 37”), which became effective on December 1, 2017. According to the SAT Public Notice 37, if the withholding agent fails to or is unable to withhold the income tax in accordance with the law, the non-resident enterprise will be deemed to have cleared its tax payment on time if it voluntarily declares and pays the tax before or within the time limit the tax authority orders it to do so. If the taxable income before withholding on a source-basis falls within the form of dividends or any equity investment gains, the date of triggering obligations to settle such tax payments is the date of actual payment of the dividends or other equity investment gains. In addition, on December 1, 2017, the SAT Public Notice 37 repealed the Notice of the SAT on Strengthening the Administration over Enterprise Income Tax on Income of Non-resident Enterprises from Equity Transfer and Notice of the SAT on Issuing the Interim Measures for the Administration of Source-based Withholding of the Enterprise Income Tax of Non-resident Enterprises issued by the SAT on December 10, 2009 and January 9, 2009, respectively.

As a result, we and our non-PRC Shareholders may have the risk of being taxed for the disposition of our Shares and may be required to spend valuable resources to comply with the SAT Public Notice 7 and the SAT Public Notice 37 or to establish that we or our non-PRC Shareholders should not be taxed as an indirect transfer, which may have a material adverse effect on our results of operations and financial condition or the investment by non-PRC investors in us.

In addition, since we may pursue acquisitions, and may conduct acquisitions involving complex corporate structures, the PRC tax authorities may, at their discretion, adjust the capital gains or request that we submit additional documentation for their review in connection with any potential acquisitions, which may cause us to incur additional acquisition costs or delay our acquisition timetable.

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

After our Company becomes an overseas listed company upon the completion of the Global Offering, we, along with our Directors, executive officers and other employees who may be granted options, may 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 (關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知), issued by SAFE in February 2012. According to the foregoing Notice, employees, directors, supervisors and other management members who are PRC citizens or non-PRC citizens residing in China for a continuous period of no less than one year participating in any stock incentive plan of an overseas publicly listed company, 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. Failure to complete SAFE registrations may subject them to fines and other legal sanctions and may also limit their ability to

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make payment under the equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our PRC subsidiaries and our PRC subsidiaries' 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 laws and regulations.

Our employees working in China will be subject to PRC individual income tax if they exercise share options. Our PRC subsidiaries have the obligation to file documents relating to the employee share options with the relevant tax authorities and to withhold individual income tax for those employees. If our employees fail to pay or we fail to withhold income tax according to the relevant laws and regulations, we may face sanctions imposed by the relevant tax authorities.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our Shares.

Under the EIT Law and its implementation rules, subject to any applicable tax treaty or similar arrangement between the PRC and your jurisdiction of residence that provides for a different income tax arrangement, PRC withholding tax at the rate of 10% is normally applicable to dividends from PRC sources payable to investors that are non-PRC resident enterprises, which do not have an establishment or place of business in China, or which have such establishment or place of business if the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if such gain is regarded as income derived from sources within China unless a treaty or similar arrangement otherwise provides. Under the PRC Individual Income Tax Law (中華人民共和國個人所得稅法) and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by such investors on the transfer of shares are generally subject to 20% PRC income tax, in each case, subject to any reduction or exemption set forth in applicable tax treaties and PRC laws.

As described in the preceding risk factor, there is a risk that we will be treated by the PRC tax authorities as a PRC tax resident enterprise. In that case, any dividends we pay to our Shareholders may be regarded as income derived from sources within China and we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC corporate Shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual Shareholders, including the holders of our Shares. In addition, our non-PRC Shareholders may be subject to PRC tax on gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within China. It is unclear whether our non-PRC Shareholders would be able to claim the benefits of any tax treaties between their tax residence and China if we are considered as a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our Shares or on dividends paid to our non-resident investors, the value of your investment in our Shares may be materially and adversely affected. Furthermore, our Shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under such tax treaties or arrangements.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are incorporated in the Cayman Islands. Almost all of our assets and some of the assets of our Directors are located in China. Therefore, it may not be possible for investors to effect service of process upon us or those persons inside China. China has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, the PRC Supreme Court and the Hong Kong government signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (最高人民法院關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排). Under such arrangement, where any designated people's court of the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by

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the parties, any party concerned may apply to the relevant people's court of the PRC or Hong Kong court for recognition and enforcement of the judgment. The arrangement came into effect on August 1, 2008, but the outcome and enforceability of any action brought under the arrangement is still uncertain. In addition, China is not a party to any treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, most other Western countries or Japan, and therefore enforcement in China of judgments of a court in any of these jurisdictions may be difficult or impossible.

On January 18, 2019, the Supreme People's Court of the PRC and the government of the Hong Kong entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"). The 2019 Arrangement sets forth the scope, applicable rulings, procedures and manners to apply for recognition and enforcement, examination on jurisdiction of the original court, conditions to refuse recognize and enforce, and remedies of Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters. Following the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant procedures in Hong Kong, both sides shall announce a date on which the 2019 Arrangement shall become effective. Although the 2019 Arrangement has been signed, it remains unclear when it will come into effect and the outcome and effectiveness of any action brought under the 2019 Arrangement may still be uncertain.

Inflation in China could negatively affect our profitability and growth.

Economic growth in China has, in the past, been accompanied by periods of high inflation, and the PRC government has implemented various policies from time to time to control inflation, including imposing various corrective measures designed to restrict the availability of credit or regulate growth. High inflation in the future may cause the PRC government to once again impose controls on credit and/or price of commodities, or to take other actions, which could inhibit economic activities in China. Any action on the part of the PRC government that seeks to control credit and/or price of commodities may adversely affect our business operations, causing negative impact on our profitability and growth.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares, and the liquidity and market price of our Shares following the Global Offering may be volatile.

Prior to the Global Offering, there has been no public market for our Shares. The Offer Price for our Shares was the result of negotiations among us and the Joint Overall Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have applied to list and deal in the Shares on the Stock Exchange. Our Shares held by our existing Shareholders are subject to certain lock-up restrictions for periods commencing on the date of this prospectus, and only approximately 0.95% of our issued Shares upon Listing (assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme) will not be subject to any lock-up arrangements, which may significantly affect the liquidity and trading volume of our Shares in the short term following the Global Offering. As such, we cannot assure you that the Global Offering will result in the development of an active, liquid public trading market for the Shares. In addition, the price and trading volumes of the Shares may be volatile. The following factors may affect the trading volume and market price of our Shares:

- actual or anticipated fluctuations in our operating performance and financial results;
- announcement of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimate or recommendations by financial analysts;
- potential litigation or regulatory investigations;

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- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding Share or sales or perceived sales of additional Shares by us or other Shareholders.

Moreover, the capital market has from time to time experienced significant price and volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies. Such fluctuations, whether caused by market, industry or political factors, may have a material and adverse effect on the market price and trading volume of our Shares.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five business days after the Price Determination Date. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse development which could occur between the time of sale and the time trading begins.

Investors will experience immediate dilution and may experience further dilution in the future.

The Offer Price of the Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchases of the Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value, and our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per Share of their Shares. In addition, holders of our Shares may experience further dilution of their interests if the Over-allotment Option is exercised or if we obtain additional capital in the future through equity offerings.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return. For details of our intended use of proceeds, see “Future Plans and Use of Proceeds.” However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific use we will make of the net proceeds from this Global Offering.

Any future sales, or perceived sale, of a substantial amount of our Shares in the public market could have a material adverse effect on the prevailing market price of our Shares and our ability to raise capital in the future.

Future sales of a substantial amount of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares from time to time. See “Underwriting — Underwriting Arrangements and Expenses” for a more detailed discussion of restrictions that may apply to future sales of our Shares. After these restrictions lapse, the market price of our Shares may decline as a result of future sales of a substantial amount of our Shares or other securities relating to our Shares in the public market, the issuance of new Shares or other securities relating to our Shares, or the perceptions that such sales or issuances may occur. This could negatively affect the market price of our Shares and our ability to raise equity capital in the future.

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We may not be able to pay any dividends on our Shares.

We cannot guarantee when and in what form dividends will be paid on our Shares following the Global Offering. The declaration of dividends is proposed by the Board and is based on, and limited by, various factors, including without limitation, our business and financial performance, capital and regulatory requirements, and general business conditions. We may not have sufficient or any profits to enable us to make dividend distributions to our Shareholders in the future, even if our financial statements indicate that our operations have been profitable. For details, see “Financial Information — Dividend.”

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market of our Shares may be influenced by research reports that industry or securities analysts publish about us or our business. If one or more analysts who cover us downgrade our Shares or publish negative opinions about us, the market price of our Shares would likely decline regardless of the accuracy of the information. If one or more of these analysts cease coverage of us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume of our Shares to decline.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, and growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words “anticipate,” “believe,” “could,” “potential,” “continue,” “expect,” “intend,” “may,” “plan,” “seek,” “will,” “would,” “should” and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward-looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessary estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in “Risk Factors” in this prospectus. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from official government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this prospectus.

Certain facts, forecasts and other statistics in this prospectus relating to various countries and regions and the career test preparation industry are derived from various official government publications, market data providers and other independent third-party sources, including the F&S Report, which we generally believe to be reliable. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared, and information and statistics from official government sources have not been independently verified, by us, the Joint Sponsors, Joint Overall Coordinators, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China.

We have, however, taken reasonable care in the reproduction or extraction of the official government publications and reports of other market data providers and other independent third-party sources for the purpose of disclosure in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts and statistics

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in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts and statistics.

Our Company was incorporated under the laws of the Cayman Islands and these could provide different protections to minority Shareholders than the laws of Hong Kong.

Our corporate affairs are governed by our Memorandum and Articles, and by the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority Shareholders could differ from those established under statutes or judicial precedent in Hong Kong or other jurisdictions with which minority Shareholders are more familiar. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. Shareholders may have different remedies in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions. Such differences could mean that minority Shareholders could have different protections than they would have under the laws of Hong Kong or other jurisdictions with which minority Shareholders are more familiar.

You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

We caution you not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there had been press and media coverage regarding us and the Global Offering. Such press and media coverage may include references to certain information that does not appear in this prospectus, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for it and you should not rely on such information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the Global Offering, we have sought the following waivers and exemptions from strict compliance with the relevant provisions of the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. The business operations of the Group are located in China. Due to the business requirements of the Group, none of the executive Directors has been, is or will be based in Hong Kong. Our Company considers that it would be impracticable and commercially infeasible to appoint two Hong Kong residents as executive Directors or to relocate the existing executive Directors to Hong Kong considering that the operations of our Group are based outside of Hong Kong. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirement of Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will adopt, among others, the following measures:

- (a) Our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that we comply with the Listing Rules at all times. These two authorized representatives appointed are Mr. WEI Liang, an executive Director, president and the chief technology officer of our Company and Ms. WANG Tao, a joint company secretary of our Company and the financial director of Fenbi Bluesky. Each of the authorized representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and e-mail. Each of the two authorized representatives has been duly authorized to communicate on our Company's behalf with the Stock Exchange. The Company will inform the Stock Exchange promptly in respect of any change in its authorized representatives;
- (b) Both authorized representatives have means to contact all Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Company will implement a policy whereby (1) the executive Directors will provide valid phone numbers or other means of communication to the authorized representatives when they are traveling or out of office; and (2) each Director will provide his mobile phone number, office phone number, e-mail address and, where available, fax number to the Stock Exchange and will inform the Stock Exchange promptly if there are any changes to the contact details of the Directors;
- (c) All our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with relevant members of the Stock Exchange in Hong Kong upon reasonable notice, when required; and
- (d) Our Company has appointed Maxa Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules, who will act as our additional communication channel with the Stock Exchange and will be available to respond to enquiries from the Stock Exchange.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Stock Exchange considers the following academic or professional qualifications to be acceptable: (1) a member of The Hong Kong Institute of Chartered Secretaries; (2) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and (3) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing “relevant experience,” the Stock Exchange will consider the individual’s: (1) length of employment with the issuer and other listed companies and the roles he/she played, (2) familiarity with the Listing Rules and other relevant law and regulations including SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (3) relevant training taken and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (4) professional qualifications in other jurisdictions.

We have appointed Ms. WANG Tao and Mr. LEE Chung Shing as our joint company secretaries. Biographical information of Ms. Wang and Mr. Lee is set out in “Directors and Senior Management” in this prospectus. Ms. Wang is currently the financial director of Fenbi Bluesky. We have appointed her due to her past management experience within our Group and her thorough understanding of our internal administration, business operations and corporate culture. Since Ms. Wang does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, she is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Wang as our joint company secretary.

Although Ms. Wang does not possess the specified qualification required by Rule 3.28 of the Listing Rules, the Directors believe that considering Ms. Wang’s past experience in financial management and corporate governance matters of our Group, she is capable of discharging the functions of a joint company secretary with the assistance of Mr. Lee, the other joint company secretary of our Company who fully complies with the requirements under Rule 3.28 and 8.17 of the Listing Rules. In addition, the principal business activities of the Group are conducted in China. Ms. Wang, who resides in China, is familiar with and has a thorough understanding of the operations of our internal business and finance. Therefore, we believe that the appointment of Ms. Wang as a joint company secretary is in our Company’s and the Shareholders’ best interests and beneficial to our corporate governance.

Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting with the listed issuer as well as its directors in complying with the Listing Rules and other relevant laws and regulations, we have made the following arrangements for the waiver:

- (1) Ms. Wang will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by our legal advisor as to the laws of Hong Kong on an invitation basis, and seminars organized by the Stock Exchange or other professional bodies from time to time, in addition to the 15-hour minimum requirement under Rule 3.29 of the Listing Rules;
- (2) We have appointed Mr. Lee, an associate member of the Hong Kong Institute of Certified Public Accountant and a fellow member of the Association of Chartered Certified Accountants, who fully complies with the requirements under Rules 3.28 and 8.17 of the Listing Rules to act as the other joint company secretary. Mr. Lee will work closely with and to provide assistance to Ms. Wang in the discharge of her duties as a company secretary for

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an initial period of three years commencing from the Listing Date so as to enable Ms. Wang to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to discharge the duties and responsibilities as a company secretary; and

- (3) Ms. Wang will also be assisted by the Company's compliance advisor and legal advisor as to the laws of Hong Kong on matters in relation to the Company's continuing compliance obligations under the Listing Rules and the applicable laws and regulations.

Such waiver will be revoked immediately if and when Mr. Lee ceases to provide such assistance or if there are material breaches of the Listing Rules by us. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Wang, having had the benefit of Mr. Lee's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See "Directors and Senior Management" in this prospectus for further information of Ms. Wang and Mr. Lee.

WAIVER IN RESPECT OF CONTINUING CONNECTED TRANSACTIONS

We have entered into, and expect to continue, certain transactions that will constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules after the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders' approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. See "Connected Transactions" in this prospectus for further information of such continuing connected transaction and corresponding waiver.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE OPTION SCHEME

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribe certain disclosure requirements in relation to the share options granted by the Company:

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this prospectus. The Company is also required to disclose in this document full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.
- (b) Paragraph 27 of Part A of Appendix 1 to the Listing Rules requires the Company to set out in this prospectus particulars of any capital of any member of the Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.
- (c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires the Company to set out in this prospectus, among other things, details of the number, description and amount of any shares in or debentures of the Company which any person has, or is entitled to be given, an option to subscribe for, together with the certain particulars of the option, namely the period during which it is exercisable, the price to be paid for shares and debentures subscribed for under it, the consideration (if any) given or to be given for it or for the right to it and the names and addresses of the persons to whom it was given.

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As of the Latest Practicable Date, our Company had granted options under the Pre-IPO Share Option Scheme to 1,091 grantees, including Directors and senior management of the Company and other employees of our Group, to subscribe for an aggregate of 218,537,500 Shares (after the Share Subdivision). The Shares underlying the granted options represent 10.42% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Option Scheme). For further details of our Pre-IPO Share Option Scheme, see “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme.”

Our Company has applied to the Stock Exchange and the SFC, respectively for, (i) a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting the Company from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the options granted under the Pre-IPO Share Option Scheme, on the ground that strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) given that 1,091 grantees are involved, strict compliance with such disclosure requirements in setting out full details of all the grantees under the Pre-IPO Share Option Scheme in the prospectus would be costly and unduly burdensome for the Company in light of a significant increase in cost and timing for information compilation and prospectus preparation;
- (b) as of the Latest Practicable Date, the grantees under the Pre-IPO Share Option Scheme consist of four management grantees who are Directors and members of the senior management of the Group, and the remaining 1,087 grantees who are current and former employees of the Group and are not connected persons of the Company, and, as such, strict compliance with the requirements to disclose names, addresses, and entitlements on an individual basis will require substantial number of pages of additional disclosure;
- (c) the disclosure of the personal details of each grantee, including the number of options granted, may require obtaining consent from all the grantees in order to comply with personal data privacy laws and principles and it would be unduly burdensome for the Company to obtain such consents given the number of grantees;
- (d) the grant and exercise in full of the options under the Pre-IPO Share Option Scheme will not cause any material adverse impact in the financial position of the Company;
- (e) non-compliance with the above disclosure requirements would not prevent the Company from providing its potential investors with an informed assessment of the activities, assets, liabilities, financial position, management and prospects of the Company; and
- (f) material information relating to the options under the Pre-IPO Share Option Scheme will be disclosed in this prospectus, including the total number of Shares subject to the Pre-IPO Share Option Scheme, the exercise price per Share, the potential dilution effect on the shareholding and impact on earnings per Share upon full exercise of the options granted under the Pre-IPO Share Option Scheme. The Directors consider that the information that is reasonably necessary for the potential investors to make an informed assessment of the Company in their investment decision making process has been included in this prospectus.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application will not prejudice the interests of the investing public.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
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The Stock Exchange has granted to our Company a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Part A of Appendix 1 to the Listing Rules with respect to the options granted under the Pre-IPO Share Option Scheme on the condition that:

- (a) full details of the options granted under the Pre-IPO Share Option Scheme to (1) each of the Directors, senior management and connected persons of our Company; and (2) other grantees who have been granted options to subscribe for 5,000,000 Shares or more will be disclosed in “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme” as required under Rule 17.02(1)(b) of, and paragraph 27 of Part A of Appendix 1 to, the Listing Rules, and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted under the Pre-IPO Share Option Scheme to other grantees (other than those set out in (a) above), disclosure will be made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being: (1) 1 to 49,999 Shares; (2) 50,000 to 199,999 Shares; (3) 200,000 Shares to 999,999 Shares; and (4) 1,000,000 Shares to 4,999,999 Shares. For each lot of Shares, the following disclosures will be made on an aggregated basis: (1) the aggregate number of grantees and number of Shares underlying the options under the Pre-IPO Share Option Scheme; (2) the dates of grant of the options under the Pre-IPO Share Option Scheme; (3) the consideration for the grant of options (if any) under the Pre-IPO Share Option Scheme and (4) the exercise period and exercise price of the options granted under the Pre-IPO Share Option Scheme;
- (c) the aggregate number of Shares underlying the options granted under the Pre-IPO Share Option Scheme, and the percentage to the Company’s total issued share capital represented by such number of Shares underlying the options granted pursuant to the Pre-IPO Share Option Scheme will be disclosed in this prospectus;
- (d) the potential dilution effect and impact on earnings per Share upon the full exercise of the options under the Pre-IPO Share Option Scheme will be disclosed in “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme”;
- (e) a summary of the major terms of the Pre-IPO Share Option Scheme will be disclosed in “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme”;
- (f) a full list of all the grantees (including the persons referred to in point (a) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all the particulars as required under Rule 17.02(1)(b) of and paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in accordance with the subsection headed “3. Document Available for Inspection” under the section headed “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix V to this prospectus;
- (g) the particulars of the waiver will be disclosed in this prospectus;
- (h) this prospectus will be issued on or before December 23, 2022; and
- (i) the grant of certificate of exemption under the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC exempting the Company from the disclosure requirements provided in paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND
EXEMPTIONS FROM STRICT COMPLIANCE WITH THE COMPANIES
(WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**

The SFC has agreed to grant to our Company the certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance with respect to the options granted under the Pre-IPO Share Option Scheme on condition that:

- (a) full details of the options under the Pre-IPO Share Option Scheme granted to (1) each of the Directors, the senior management and connected persons of our Company; and (2) other grantees who have been granted options to subscribe for 5,000,000 Shares or more will be disclosed in “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme” as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (b) in respect of the options granted under the Pre-IPO Share Option Scheme to other grantees (other than those set out in (a) above), disclosure will be made on an aggregate basis, categorized into lots based on the number of Shares underlying each individual grant, being: (1) 1 to 49,999 Shares; (2) 50,000 to 199,999 Shares; (3) 200,000 Shares to 999,999 Shares; and (4) 1,000,000 Shares to 4,999,999 Shares. For each lot of Shares, the following disclosures will be made on an aggregated basis: (1) the aggregate number of grantees and number of Shares underlying the options under the Pre-IPO Share Option Scheme; (2) the dates of grant of the options under the Pre-IPO Share Option Scheme; (3) the consideration for the grant of options (if any) under the Pre-IPO Share Option Scheme and (4) the exercise period and exercise price of the options granted under the Pre-IPO Share Option Scheme;
- (c) a full list of all the grantees (including the persons referred to in point (a) above) who have been granted options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing all the particulars as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection in accordance with the subsection headed “3. Document Available for Inspection” under the section headed “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix V to this prospectus;
- (d) the particulars of the exemption will be disclosed in this prospectus; and
- (e) this prospectus will be issued on or before December 23, 2022.

Further details of the Pre-IPO Share Option Scheme are set forth in “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme.”

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY STATEMENT

This prospectus, for which the Directors (including any proposed Director who is named as such in this prospectus) collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

UNDERTAKING AND INFORMATION ON THE GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained in this prospectus and the Application Forms and on the terms and subject to conditions set out herein and wherein. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, any of the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in “Structure of the Global Offering” in this prospectus, and the procedures for applying for Hong Kong Offer Shares are set out in “How to Apply for Hong Kong Offer Shares” in this prospectus and the **GREEN** Application Form.

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Joint Overall Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around Price Determination Date, subject to the Offer Price being agreed.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined by us and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) on or around Friday, December 30, 2022 or such other date as agreed between parties, and in any event no later than Friday, January 6, 2023.

If, for any reason, the Offer Price is not agreed among us and the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) on or before Friday, January 6, 2023, the Global Offering will not proceed and will lapse.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Details of the structure and conditions of the Global Offering are set out in “Structure of the Global Offering” in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for our Shares are set out in “How to Apply for the Hong Kong Offer Shares” in this prospectus and in the **GREEN** Application Form.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set forth in “Structure of the Global Offering” in this prospectus.

COMMENCEMENT OF DEALING IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Monday, January 9, 2023. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 2469.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than in Hong Kong. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the Pre-IPO Share Option Scheme.

No part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought on the Stock Exchange or any other stock exchange as of the date of this prospectus. All the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional advisor for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTRAR AND HONG KONG STAMP DUTY

Our principal register of members will be maintained by its principal share registrar, Walkers Corporate Limited, in the Cayman Islands, and our Hong Kong register of members will be maintained by Computershare Hong Kong Investor Services Limited. All Offer Shares will be registered on the Company's register of members in Hong Kong.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisors if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, or dealing in, the Shares or exercising any rights attaching to the Shares. We emphasize that none of our Company, Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering accepts responsibility for any tax effects or liabilities resulting from your subscription, purchase, holding or disposing of, or dealing in, the Shares or your exercise of any rights attaching to the Shares.

EXCHANGE RATE CONVERSION

Solely for convenience purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. Unless otherwise indicated, (1) the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.8973 to HK\$1.00, and (2) the translations between Renminbi and U.S. dollars were made at the rate of RMB6.9791 to US\$1.00, both being the exchange rates prevailing on December 16, 2022 published by the PBOC for foreign exchange transactions.

No representation is made that any amounts in Renminbi, Hong Kong dollars and U.S. dollars were or could have been or could be converted into each other at such rates or any other exchange rates on such date or any other date.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated. However, the translated English names of the PRC and foreign national, entities, departments, facilities, certificates, titles, laws, regulations (including certain of our subsidiaries) and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the names in their original languages shall prevail.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. ZHANG Xiaolong (張小龍)	No. 1, Building 17 Long Hu Yan Lan Shan, Hou Sha Yu Shunyi District Beijing, PRC	Chinese
Mr. WEI Liang (魏亮)	No. 604, Building 2, Kouzhong Beili Xicheng District Beijing, PRC	Chinese
<i>Non-executive Directors</i>		
Mr. LI Yong (李勇)	Room 1502, No. 23-01-05, Huangsi Street Xicheng District Beijing, PRC	Chinese
Mr. LI Xin (李鑫)	No. 501, Dongfeng Middle Road Yuexiu District, Guangzhou City Guangdong Province, PRC	Chinese
Mr. LI Zhaohui (李朝暉)	No. 1710, Block 2, 2 Anhui Dongli Chaoyang District Beijing, PRC	Chinese
<i>Independent Non-executive Directors</i>		
Mr. QIU Dongxiao Larry (丘東曉)	Unit C, 65/F, The Hermitage Tower 8 No. 1 Hoi Wang Road Kowloon, Hong Kong	Canadian
Mr. YUEN Kai Yiu Kelvin (袁啟堯)	F6, Tower 26, Parc Oasis Kowloon Tong Hong Kong	Chinese (Hong Kong)
Ms. YUAN Jia (袁佳)	Room 402, Unit 1, Building 15 Yongfeng Jiayuan District 3 Haidian District Beijing, PRC	Chinese

For further information regarding our Directors, see “Directors and Senior Management.”

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Sponsors, Joint Overall
Coordinators and Joint
Sponsor-Overall Coordinators**
(in no particular order)

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Joint Global Coordinators
(in no particular order)

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Joint Bookrunners and
Joint Lead Managers**
(in no particular order)

Citigroup Global Markets Asia Limited
(in relation to the Hong Kong Public Offering only)
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

Citigroup Global Markets Limited
(in relation to the International Offering only)
Citigroup Centre, Canada Square
Canary Wharf
London E14 5LB
United Kingdom

**China International Capital Corporation
Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

CRIC Securities Company Limited
8/F, Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

CSFG International Securities Limited
Rm.701, 7/F Southland Building
48 Connaught Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Futu Securities International (Hong Kong) Limited
Unit C1-2 13/F United Centre
No. 95 Queensway
Admiralty
Hong Kong

ICBC International Capital Limited
(in its capacity as Joint Bookrunner)
37/F ICBC Tower
3 Garden Road
Hong Kong

ICBC International Securities Limited
(in its capacity as Joint Lead Manager)
37/F ICBC Tower
3 Garden Road
Hong Kong

Macquarie Capital Limited
Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Maxa Capital Limited
Unit 1908, Harbour Center
25 Harbour Road
Wanchai
Hong Kong

Co-lead Manager

Soochow Securities International Brokerage Limited
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Capital Market Intermediaries
(in no particular order)

Citigroup Global Markets Asia Limited
50/F, Champion Tower
3 Garden Road
Central
Hong Kong

**China International Capital Corporation
Hong Kong Securities Limited**
29th Floor, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Merrill Lynch (Asia Pacific) Limited
55/F, Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BOCOM International Securities Limited
9/F, Man Yee Building
68 Des Voeux Road Central
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
Central
Hong Kong

CMB International Capital Limited
45th Floor, Champion Tower
3 Garden Road
Central
Hong Kong

CRIC Securities Company Limited
8/F, Prosperity Tower
39 Queen's Road Central
Central
Hong Kong

CSFG International Securities Limited
Rm. 701, 7/F Southland Building
48 Connaught Road Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2 13/F United Centre
No. 95 Queensway
Admiralty
Hong Kong

ICBC International Capital Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

ICBC International Securities Limited
37/F ICBC Tower
3 Garden Road
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Macquarie Capital Limited

Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Maxa Capital Limited

Unit 1908, Harbour Center
25 Harbour Road
Wanchai
Hong Kong

Soochow Securities International Brokerage Limited

Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

Legal Advisors to our Company

as to Hong Kong and U.S. law:

Wilson Sonsini Goodrich & Rosati

Suite 1509, 15/F, Jardine House
1 Connaught Place
Central
Hong Kong

as to PRC law:

Jingtian & Gongcheng

34/F, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing, PRC

as to Cayman Islands law:

Walkers (Hong Kong)

15th Floor, Alexandra House
18 Chater Road
Central
Hong Kong

Legal Advisors to the Joint Sponsors and Underwriters

as to Hong Kong and U.S. law:

Cooley HK

35/F, Two Exchange Square
8 Connaught Place
Central
Hong Kong

as to PRC law:

CM Law Firm

2805, Phase II, Plaza 66
1366 Nanjing West Road
Shanghai, PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Independent Auditor and Reporting
Accountant**

PricewaterhouseCoopers
*Certified Public Accountants and Registered Public
Interest Entity Auditor*
22/F, Prince's Building
Central, Hong Kong

Industry Consultant

Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
Room 2504, Wheelock Square
1717 Nanjing West Road
Shanghai, PRC

Receiving bank

**The Hongkong and Shanghai Banking Corporation
Limited**
1 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered office	190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Principal place of business in Hong Kong	46/F, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong
Headquarters and principal place of business in the PRC	1-6/F, Building 103, No. 10 Courtyard Jiuxianqiao North Road Chaoyang District Beijing, PRC
Company website address	<u>www.fenbi.com</u> <i>(Information contained in this website does not form a part of this prospectus)</i>
Joint Company Secretaries	Ms. WANG Tao (汪陶) 1-6/F, Building 103, No. 10 Courtyard Jiuxianqiao North Road Chaoyang District Beijing, PRC Mr. LEE Chung Shing (李忠成) <i>(CPA of HKICPA, FCCA of ACCA)</i> 46/F, Hopewell Centre 183 Queen's Road East, Wan Chai Hong Kong
Authorized representatives	Mr. WEI Liang (魏亮) No. 604, Building 2, Kouzhong Beili Xicheng District Beijing, PRC Ms. WANG Tao (汪陶) 1-6/F, Building 103, No. 10 Courtyard Jiuxianqiao North Road Chaoyang District Beijing, PRC
Audit committee	Mr. YUEN Kai Yiu Kelvin (袁啟堯) (<i>Chairman</i>) Mr. QIU Dongxiao Larry (丘東曉) Ms. YUAN Jia (袁佳)
Remuneration committee	Mr. QIU Dongxiao Larry (丘東曉) (<i>Chairman</i>) Mr. ZHANG Xiaolong (張小龍) Mr. WEI Liang (魏亮) Mr. YUEN Kai Yiu Kelvin (袁啟堯) Ms. YUAN Jia (袁佳)
Nomination committee	Mr. ZHANG Xiaolong (張小龍) (<i>Chairman</i>) Mr. WEI Liang (魏亮) Mr. QIU Dongxiao Larry (丘東曉) Mr. YUEN Kai Yiu Kelvin (袁啟堯) Ms. YUAN Jia (袁佳)

CORPORATE INFORMATION

Principal share registrar and transfer office	Walkers Corporate Limited 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712–1716, 17th Floor Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
Compliance advisor	Maxa Capital Limited Unit 1908 Harbour Center 25 Harbour Road Wanchai, Hong Kong
Principal banks	China Merchants Bank, Beijing Branch No. 156, Tower A, Fuxingmennei Avenue Xicheng District Beijing, PRC China CITIC Bank, Beijing Branch 1/F, Tower E, Fuhua Building No. 8, Chaoyangmen North Avenue Dongcheng District Beijing, PRC Shanghai Pudong Development Bank, Beijing Branch 1/F, Fortune Resource International Center No. 18, Taipingqiao Avenue Xicheng District Beijing, PRC

REGULATION

This section sets forth a summary of the most significant rules and regulations that affect our business activities in China or the rights of our shareholders to receive dividends and other distributions from us.

REGULATIONS RELATED TO FOREIGN INVESTMENT

Investment activities in the PRC by foreign investors are principally governed by the Catalog of Industries for Encouraging Foreign Investment (the “Encouraging Catalog”) and the Special Management Measures (Negative List) for the Access of Foreign Investment (the “Negative List”) (外商投資准入特別管理措施(負面清單)), which were promulgated and are amended from time to time by MOFCOM and the NDRC, and together with the FIL, and their respective implementation rules and ancillary regulations. The Encouraging Catalog and the Negative List lay out the basic framework for foreign investment in the PRC, classifying businesses into three categories with regard to foreign investment: “encouraged,” “restricted” and “prohibited.” Industries not listed in the Catalog are generally deemed as falling into a fourth category “permitted” unless specifically restricted by other PRC laws.

On December 27, 2020, MOFCOM and the NDRC released the Encouraging Catalogue (2020 Version), which became effective on January 27, 2021, to replace the previous Encouraging Catalog. According to the Encouraging Catalogue (2020 Version), non-educational system vocational training institutions and non-formal language training institutions (except those for preschool education, compulsory education and high school education) are classified into the category of “encouraged” businesses. On December 27, 2021, MOFCOM and the NDRC released Negative List (2021 Version), which became effective on January 1, 2022, to replace the previous Negative List.

On March 12, 2022, the NDRC and MOFCOM promulgated the Market Access Negative List (2022 Version) (市場准入負面清單) (the “2022 Negative List”), which became effective on the same day. Compared with the Market Access Negative List (2020 Version), which was simultaneously abolished, the 2022 Negative List prohibits the illegal operations of news and media-related businesses, under which it further provides that non-public capital engaging in live broadcasts of activities and events involving, among others, education is prohibited. According to our telephone consultation with Beijing Cyberspace Administration, which is the competent authority as promulgated in the 2022 Negative List, the 2022 Negative List prohibits non-public capital from engaging in live broadcasts of activities and events in relation to education, which differs from our business of delivering online tutoring courses in live or pre-recorded format. Beijing Cyberspace Administration further confirms that our online tutoring services in nature are not news and media-related, and therefore do not constitute “live broadcasts of activities and events involving education” as described in the prohibited items in the 2022 Negative List.

On March 15, 2019, the NPC promulgated the FIL, which became effective on January 1, 2020 and replaced the major laws and regulations governing foreign investment in the PRC. Pursuant to the FIL, “foreign investments” refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (1) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (2) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (3) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (4) investment of other methods as specified in laws, administrative regulations, or as stipulated by the State Council.

According to the FIL, foreign investment shall enjoy pre-entry national treatment, except for those foreign invested entities that operate in industries deemed to be either “restricted” or “prohibited” in the Negative List. The FIL provides that foreign invested entities operating in foreign “restricted” or “prohibited” industries will require entry clearance and other approvals. The FIL does not comment on the concept of “de facto control” or contractual arrangements with variable interest entities, however, it has a catch-all provision under definition of “foreign investment” to include investments made by

REGULATION

foreign investors in the PRC through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

On December 26, 2019, the State Council promulgated the Implementing Rules of FIL, which became effective on January 1, 2020. The implementation rules further clarified that the state encourages and promotes foreign investment, protects the lawful rights and interests of foreign investors, regulates foreign investment administration, continues to optimize foreign investment environment, and advances a higher-level opening.

On December 30, 2019, MOFCOM and the SAMR jointly promulgated the Measures for Information Reporting on Foreign Investment, which became effective on January 1, 2020. Pursuant to the Measures for Information Reporting on Foreign Investment, where a foreign investor carries out investment activities in the PRC directly or indirectly, the foreign investor or the foreign-invested enterprise shall submit the investment information to the competent commerce department.

REGULATIONS RELATED TO PRIVATE EDUCATION

The private education in the PRC is mainly governed by the Law for Promoting Private Education of the PRC (the “Private Education Law”), which was promulgated by the SCNPC on December 28, 2002 and last amended on December 29, 2018, and the Regulations on the Implementation of the Law for Promoting Private Education, which was promulgated by the State Council on March 5, 2004 and last amended on April 7, 2021. Under these regulations, “private schools” are defined as schools established by social organizations or individuals with non-governmental funds. The establishment of a private school shall meet the local need of educational development and the requirements prescribed in the Education Law and the relevant laws and regulations. The standards for the establishment of private schools shall conform to those for the establishment of public schools of the same level and category. Those private schools engaging in diploma education, pre-school education, self-taught examination, and other cultural education shall subject to the examination and approval of the administrative departments for education of the governments at or above the county level in accordance with their authorities defined by the state. Those private schools mainly engaging in training of professional skills and vocational qualifications shall subject to the examination and approval of the administrative departments of human resources and social security in accordance with their authorities defined by the state and shall submit a copy to the educational administrative departments for archival purposes. Private schools to use internet technology to carry out educational activities online is encouraged in the PRC. Online educational activities carried out with internet technology shall comply with the provisions of the relevant laws and administrative regulations of the state on internet management. Private schools that carry out educational activities online with internet technology shall obtain corresponding school-running permits. For a private school approved to be founded officially, the examination and approval authority shall issue a school-running permit and make an announcement to the public. The time limit of a school-running permit shall be compatible with the school-running level and type of the private school. A private school without violations of laws or regulations within the time limit of a permit may, upon expiry of the validity period, has the validity period automatically extended and obtains a new permit. The measures for the administration of school-running permits of private schools shall be developed by the administrative department of education and the administrative department of human resources and social security of the State Council according to the division of functions.

REGULATIONS ON VALUE-ADDED TELECOMMUNICATIONS SERVICES

Licenses for Value-added Telecommunications Services

The Telecommunications Regulations of the PRC (the “Telecommunications Regulations”), which were promulgated by the State Council on September 25, 2000 and last amended with immediate effect on February 6, 2016, provide the regulatory framework for telecommunications service providers in the PRC. The Telecommunications Regulations classifies telecommunications services into basic

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telecommunications services and value-added telecommunications services. Providers of value-added telecommunications services are required to obtain a license for value-added telecommunications services. According to the Catalog of Telecommunications Services, attached to the Telecommunications Regulations and last amended by MIIT on June 6, 2019, information services provided via public communication network or the internet are value-added telecommunications services.

As a subcategory (B25 Information Service) of the value-added telecommunications services, internet information services are regulated by the Administrative Measures on Internet Information Services (the “Internet Measures”), which was promulgated by the State Council on September 25, 2000 and last amended with immediate effect on January 8, 2011. Internet information services are defined as “services that provide information to online users through the internet.” The Internet Measures classifies internet information services into non-commercial internet information services and commercial internet information services. Commercial internet information service providers shall obtain a value-added telecommunications business operating license for internet information service (the “ICP License”) from appropriate telecommunications authorities. An ICP License has a term of five years and can be renewed 90 days prior to its expiration, according to the Administrative Measures for Telecommunications Businesses Operating Licensing, which was promulgated by MIIT on March 1, 2009, amended on July 3, 2017 and came into effect on September 1, 2017.

Restrictions on Foreign Investment in Value-Added Telecommunications Services

The Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (the “FITE Regulations”), promulgated by the State Council on December 11, 2001 and last amended with immediate effect on February 6, 2016, requires foreign-invested value-added telecommunications enterprises in the PRC to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interest of such an enterprise. In addition, the main foreign investor who invests in such an enterprise shall demonstrate a good track record and experience in such industry. Moreover, the joint ventures must obtain approvals from MIIT and MOFCOM, or their authorized local counterparts, before launching the value-added telecommunications business in the PRC. On April 7, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations, which made amendments to the FITE Regulations, including, among others, removing the performance and operational requirements (i.e., positive track record and experience in providing such services) for main foreign investors that invest in PRC companies conducting value-added telecommunications business as set out in the FITE Regulations. The amended FITE Regulations took effect on May 1, 2022.

According to the Negative List (2021 Version), the proportion of foreign investments in an entity engages in value-added telecommunications business (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

Pursuant to the Ministry of Information Industry Notice on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Services (the “MII Notice”) issued by the Ministry of Information Industry (“MII”), the predecessor of MIIT, on July 13, 2006, domestic value-added telecommunications enterprises were prohibited to rent, transfer or sell licenses for value-added telecommunications services to foreign investors in any form, or provide any resources, premises, facilities or other assistance in any form to foreign investors for their illegal operation of any value-added telecommunications business in the PRC.

REGULATIONS RELATED TO PRINTING INDUSTRY

Licenses for Printing Operations

Regulations on the Administration of Printing Industry, promulgated by the State Council on March 8, 1997 and last amended with immediate effect on November 29, 2020, apply to the operations of printing publications, printed matters of package and decoration, and other printed matters.

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Operations of printing referred to in these Regulations include operational activities of typesetting, plate making, printing, binding, copying, photographic reproducing, mimeographing, etc. The PRC adopts the license system for printing operations. No unit or individual may undertake printing operations without obtaining the license for printing operations according to these Regulations. The PRC allows the joint formation of enterprises engaging in the printing operations of publications by foreign investors and Chinese investors, and allows the formation of foreign-funded enterprises engaging in the printing operations of printed matters for packaging and decoration and other printed matters.

Restrictions on Foreign Investment in Printing Operations

According to Interim Provisions on the Establishment of Foreign-funded Printing Enterprises, which was promulgated by the General Administration of Press and Publication GAPP and the Ministry of Foreign Trade and Economic Cooperation on January 29, 2002 and last amended on August 28, 2015 with the supplementary provisions issued on November 12, 2008 and December 12, 2012, the following conditions shall be satisfied in the establishment of a foreign-funded printing enterprise:

- (1) the Chinese and foreign investors that apply for establishing a foreign-funded enterprise shall be legal persons that can independently assume civil liabilities and shall have been directly or indirectly engaged in printing or the management thereof;
- (2) a foreign investor shall meet any of the following requirements, including (i) it can provide internationally advanced ways of printing management and experiences; (ii) it can provide internationally advanced printing technologies and equipment; or (iii) It can provide fairly strong financial support;
- (3) the form of business of the foreign-funded printing enterprise that is applied to be established shall be a limited liability company;
- (4) the registered capital of a foreign-funded printing enterprise that is engaged in the printing of publications or printed matters for packaging decorations shall not be less than RMB10 million; the registered capital of a foreign-funded printing enterprise that is engaged in the printing of other printed matters shall not be less than RMB5 million;
- (5) the Chinese party to a sino-foreign joint printing enterprise that is engaged in the printing and management of publications or other printed matters shall occupy a controlling or leading position. In particular, the chairman of the board of a sino-foreign joint printing enterprise that is engaged in the printing of publications shall be a Chinese, and there shall be more Chinese members than foreign ones in the board of directors; and
- (6) the term of business operation shall, as a general principle, be no more than 30 years. In the examination and approval of the establishment of foreign-funded printing enterprises, the applicant shall, apart from satisfying the provisions as mentioned in the preceding paragraph, be in conformity with the State plans concerning the total quantity, structure and distribution of printing enterprises.

According to the Negative List (2021 Version), Publications printing enterprises shall be controlled by Chinese investors.

REGULATIONS RELATED TO PUBLICATION

According to the Administrative Regulations on Publication (2020 revised) (出版管理條例) promulgated by the State Council, effective on November 29, 2020, publication activities include publishing, printing or reproduction, import and distribution of publications; and pursuant to the 2021 Negative List, editing, publishing and production of publications are subject to foreign investment

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prohibitions. As further promulgated in the Administrative Regulations on Publication (2020 revised), publications, including newspapers, periodicals, books, audio-visual products and electronic publication, shall be published by publishing units, and publishing units shall apply for and obtain a publishing license. Any publication shall not contain content prohibited by laws and administrative regulations or by the State. A publication shall, in accordance with the relevant provisions of the State, clearly indicate the name and address of the author, publisher, printer, reproducer or distributor, the book number, periodical number or edition number, the list and data under publication, the date of publication, the number of issue, and other relevant particulars. The specification, size, format, binding and layout, and proofreading of a publication shall accord with the standards and norms of the State to ensure its quality. During the Track Record Period and as of the Latest Practicable Date, we have engaged in publication distribution business, including wholesale, retail and online sales, and have obtained the License for Operating Publication Business for such publication distribution business; however, we have not engaged in editing, publishing or production of publications. We cooperate with independent third-party publishing companies with publishing qualifications and engage such publishing companies to edit and publish relevant learning reference materials created by us. Our PRC Legal Advisors are of the view that the relevant entities of our Group have obtained the required authorization to operate publication distribution business and that the third-party publishing companies we cooperate with have obtained the required authorization to operate publishing business.

REGULATIONS RELATED TO ONLINE PUBLICATION

On February 4, 2016, MITT and the State Administration of Press, Publication, Radio, Film and Television (the “SAPPRFT”) jointly promulgated the Online Publishing Regulations, which came into effect on March 10, 2016. The Online Publishing Regulations define “online publications” as digital works that are edited, produced, or processed to be published and provided to the public through the internet, including (1) original digital works, such as pictures, maps, games and comics; (2) digital works with content that is consistent with the type of content that, prior to being released online, typically was published in offline media such as books, newspapers, periodicals, audio-visual products and electronic publications; (3) digital works in the form of online databases compiled by selecting, arranging and compiling other types of digital works; and (4) other types of digital works identified by the SAPPRFT. In addition, foreign-invested enterprises are not allowed to engage in the foregoing services. Under the Online Publishing Regulations, internet operators distributing online publications via internet are required to obtain an Online Publishing Service License.

REGULATIONS RELATED TO ONLINE TRANSMISSION OF AUDIO-VISUAL PROGRAMS

According to the Audio-Visual Regulations, which was promulgated by the SARFT (currently known as the NRTA) and MII on December 20, 2007, as amended on August 28, 2015, internet audio-visual program service refers to activities of making, editing and integrating audio-visual programs, providing them to the general public via internet, and providing such services to other people by uploading. An internet audio-visual program service provider shall obtain an AVSP issued by the SARFT or complete certain registration procedures with the SARFT. On March 17, 2010, the SARFT further promulgated the Catalogue of Internet Audio-Visual Program Services, which was amended on March 10, 2017. On March 30, 2009, the SARFT promulgated the Notice on Strengthening the Administration of the Content of Internet Audio-Visual Programs, which reiterates the pre-approval requirements for the internet audio-visual programs, including those on mobile network (if applicable), and prohibits internet audio-visual programs containing violence, pornography, gambling, terrorism, superstition or other prohibited elements.

Pursuant to the Audio-Visual Regulations, providers of internet audio-visual program services are generally required to be either state-owned or state-controlled. According to the Official Answers to Press Questions Regarding the Internet Audio-Visual Program Regulations published on the SARFT’s website on February 3, 2008, the SARFT and MII clarified that providers of internet audio-visual program services who had legally engaged in such services prior to the adoption of the Audio-visual Regulations shall be eligible to re-register their businesses and continue their operations of internet

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audio-visual program services so long as those providers have not been in violation of the laws and regulations. This exemption will not be granted to internet audio-visual program service providers established after the adoption of the Audio-Visual Regulations. These policies have later been reflected in the Notice on Relevant Issues Concerning Application and Approval of Audio-Visual Permit, issued by the SARFT on May 21, 2008 and amended on August 28, 2015.

Under the Regulations on the Administration of Production of Radio and Television Programs, promulgated by the SARFT on July 19, 2004, as amended on October 29, 2020, any entities that engage in the production of radio and television programs are required to apply for a Radio and Television Production Operation License from the NRTA or its local level counterparts. Entities with the Radio and Television Production Operation License shall conduct their operations strictly within the approved scope of production and operation. Except for radio and television broadcasting institutions, the above-mentioned permit holders shall not produce radio and television programs concerning current political news or special topics, columns and other programs of the same kind.

REGULATIONS RELATED TO ONLINE LIVE-STREAMING SERVICES

On November 4, 2016, the CAC issued the Administrative Regulations on Online Live Streaming Services (the “Online Live Streaming Regulations”), which came into effect on December 1, 2016. According to the Online Live Streaming Regulations, online live streaming service providers and online live streaming publishers that provide internet news information services without licenses, or exceed the scope of their licenses, shall subject to punishment by the CAC and its provincial counterparts which may include an order to cease such services and a fine of RMB10,000 to RMB30,000. Other violations of the Online Live Streaming Regulations are subject to punishment by the national and local internet information offices; if such violations constitute crime offence, criminal investigations or penalties may be imposed.

On September 2, 2016, the SAPPRFT issued the Circular on Issues concerning Strengthening the Administration of Online Live Streaming of Audio-Visual Programs (the “Online Live Streaming Circular”). According to the Online Live Streaming Circular, appropriate AVSP is a prerequisite for online audio-visual live streaming of general cultural events of social communities, sports events, important political, military, economic, social, and cultural events. Relevant information about specific activities to be streamed shall be filled in advance to the provincial counterparts of the SAPPRFT. Online audio-visual live streaming service providers shall censor and tape such programs and retain them for at least 60 days for future check by the administrative departments; and they shall have emergency plan in place to replace programs in violation of laws and regulations. Bullet-screen comments shall be forbidden in the live streaming of important political, military, economic, social, sports and cultural events. Special censor shall be appointed for bullet-screen comments in the live streaming of general cultural events of social communities and sports events. Hosts, guests and targets hired or invited by online audio-visual live streaming programs shall meet following requirements: (1) patriotic and law-abiding; (2) good public reputation and social image, no scandals and misdeeds; and (3) dress, hairstyle, language and actions are consistent with public order and good morals, and not drawing topics with vulgar contents or contents inappropriate to discuss in public.

According to the Notice on Strengthening the Management of Internet Live Streaming Service issued by the CAC, the Ministry of Culture and Tourism of the PRC (the “MCT”), the NRTA, the Office of the National Anti-pornography and Anti-illegal Working Group, MII and the MPS on August 1, 2018, live streaming service providers shall perform website ICP filing procedures with the competent telecommunication department according to law, and live streaming service providers involved in operating telecommunication business and internet news and information, online performance, live streaming of audio-visual programs and other businesses shall apply to the relevant departments to obtain licenses for telecommunication business operation, internet news and information services, network culture operation, information network dissemination of audio-visual programs, etc., and within 30 days of the live streaming service going online, shall carry out public security registration procedures in accordance with relevant regulations with the public security authorities.

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According to the Guiding Opinions on Strengthening the Standardized Management of Network Live Broadcasting issued by the CAC, Office of the National Anti-pornography and Anti-illegal Working Group, MIIT, the MPS, the MCT, the SAMR and the NRTA on February 9, 2021, live streaming platforms that carry out business-oriented online performance activities must hold the internet cultural business license and carry out ICP filing; live streaming platforms that carry out network audio-visual program services must hold the AVSP (or complete the registration in the national network audio-visual platform information registration management system) and carry out ICP filing; live streaming platforms that carry internet news information service must hold internet news information service license. Live streaming platforms shall file with local cyberspace administration office in a timely manner, and shall cancel its filing immediately after it ceases to provide live streaming services.

REGULATIONS RELATED TO MOBILE INTERNET APPLICATIONS INFORMATION SERVICES

In addition to the Telecommunications Regulations and other regulations above, mobile internet applications (the “APPs”) are specially regulated by the Administrative Provisions on Mobile Internet Applications Information Services (the “APP Provisions”), which was promulgated by the CAC on June 28, 2016 and became effective on August 1, 2016. The APP Provisions sets forth the relevant requirements on the APP information service providers and the APP Store service providers. The CAC and its local branches shall be responsible for the supervision and administration of nationwide and local APP information respectively.

App providers shall strictly fulfill their responsibilities of information security management, and perform the following duties: (1) in accordance with the principles of “real name at background, any name at foreground,” verify identities with the registered users through mobile phone numbers etc.; (2) establish and improve the mechanism for user information security protection, follow the principles of “legality, appropriateness and necessity” in collection and use of personal information, expressly state the purpose, methods and scope of information collection, and obtain the users’ consent; (3) establish and improve the verification and management mechanism for the information content; adopt proper sanctions and measures such as warning, limiting functions, suspending updates, and closing accounts, for releasing illegal information content, as appropriate; keep records and report to the competent department; (4) according to the law, protect and safeguard users’ “rights to know and rights to choose” during installation or use; do not turn on the functions of collecting geographical location, reading address books, or using cameras or recordings, without express statement to the users and the consent of the users; do not turn on functions irrelevant to the services; do not tie up and install irrelevant Apps; (5) respect and protect intellectual property rights; do not produce or release Apps which violate others’ intellectual property rights; and (6) keep records of user log information for 60 days.

On 14 June 2022, the CAC issued a revised version of the Administrative Provisions on Mobile Internet Application Information Services (移動互聯網應用程序信息服務管理規定) (the “Revised APP Provisions”), which basically reflects the regulatory development since 2016 and further emphasizes that mobile internet app providers shall comply with the relevant provisions on the scope of necessary personal information when engaging in personal information processing activities. According to the Revised APP Provisions, mobile internet app providers shall not compel users to agree to non-essential personal information collection out of any reason and are prohibited from banning users from their basic functional services due to the users’ refusal of providing non-essential personal information.

REGULATIONS RELATED TO CONSUMER PROTECTION

According to Law of the PRC on the Protection of Consumer Rights and Interests, which was promulgated by the SCNPC on October 31, 1993 and last amended on October 25, 2013, in providing commodities or services to consumers, business operators shall fulfill their obligations in accordance with this Law and other applicable laws and regulations. Business operators shall fulfill their obligations as agreed upon with consumers, provided that the agreements with consumers are not in

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violation of the provisions of laws and regulations. In providing commodities or services to consumers, business operators shall adhere to social morality, operate business in good faith, and protect the lawful rights and interests of consumers; and shall neither set unfair or unreasonable trading conditions nor force consumers into any transactions. Business operators shall provide consumers with true and complete information on the quality, performance, use, and useful life, among others, of commodities or services; and shall not conduct any false or misleading promotion. Business operators shall provide true and definite answers to questions from consumers regarding the quality and use instructions of their provided commodities or services. Business operators shall clearly mark the prices of their provided commodities or services.

REGULATIONS RELATED TO INFORMATION SECURITY

Internet content in the PRC is also regulated and restricted from a state security point of view. The Decision Regarding the Safeguarding of Internet Security, enacted by the SCNPC on December 28, 2000 and amended with immediate effect on August 27, 2009, makes it unlawful to: (1) gain improper entry into a computer or system of strategic importance; (2) disseminate politically disruptive information; (3) leak state secrets; (4) spread false commercial information; or (5) infringe intellectual property rights.

The Administrative Measures for the Security Protection of International Connections to Computer Information Network, issued by the MPS on December 16, 1997 and amended on January 8, 2011, prohibits the use of the internet in ways that, among other things, result in a leakage of state secrets or the distribution of socially destabilizing content. Socially destabilizing content includes any content that incites defiance or violations of PRC laws or regulations or subversion of the PRC government or its political system, spreads socially disruptive rumors or involves cult activities, superstition, obscenities, pornography, gambling or violence. State secrets are defined broadly to include information concerning PRC's national defense affairs, state affairs and other matters as determined by the PRC authorities.

In addition, the National Administration of State Secrets Protection is authorized for the blocking of access to any website it deems to be leaking state secrets or failing to comply with the relevant legislation regarding the protection of state secrets.

On July 1, 2015, the SCNPC issued the National Security Law, which came into effect on the same day. The National Security Law provides that the state shall safeguard the sovereignty, security and cybersecurity development interests of the state, and that the state shall establish a national security review and supervision system to review, among other things, foreign investment, key technologies, internet and information technology products and services, and other important activities that are likely to impact the national security of the PRC.

On November 7, 2016, the SCNPC issued the Cybersecurity Law, which came into effect on June 1, 2017. The Cybersecurity Law provides that network operators must set up internal security management systems that meet the requirements of a classified protection system for cybersecurity, including appointing dedicated cybersecurity personnel, taking technical measures to prevent computer viruses, network attacks and intrusions, taking technical measures to monitor and record network operation status and cybersecurity incidents, and taking data security measures such as data classification, backups and encryption. The Cybersecurity Law also imposes a relatively vague but broad obligation to provide technical support and assistance to the public and state security authorities in connection with criminal investigations or for reasons of national security. The Cybersecurity Law also requires network operators that provide network access or domain name registration services, landline or mobile phone network access, or that provide users with information publication or instant messaging services, to require users to provide a real identity when they sign up. The Cybersecurity Law sets high requirements for the operational security of facilities deemed to be part of the PRC's "critical information infrastructure." These requirements include data localization, i.e., storing personal information and important business data in the PRC, and national security review requirements for any network products or services that may impact national security. Among other factors, "critical

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information infrastructure” is defined as critical information infrastructure, that will, in the event of destruction, loss of function or data leak, result in serious damage to national security, the national economy and people’s livelihoods, or the public interest. Specific reference is made to key sectors such as public communication and information services, energy, transportation, water-resources, finance, public services and e-government.

The Provisions on Technological Measures for Internet Security Protection, promulgated by the MPS on December 13, 2005 and became effective on March 1, 2006, requires internet service providers to keep records of certain information about their users (including user registration information, log-in and log-out times, IP addresses, content and time of posts by users) for at least 60 days. Under the Cybersecurity Law, network operators must also report any instances of public dissemination of prohibited content. If a network operator fails to comply with such requirements, the PRC government may revoke its ICP License and shut down its websites.

On March 13, 2019, The Office of the Central Cyberspace Affairs Commission and the SAMR jointly issued the Notice on App Security Certification and the Implementation Rules on Security Certification of Mobile Internet Application, which encourages mobile application operators to voluntarily obtain app security certification, and search engines and app stores are encouraged to recommend certified applications to users.

On June 10, 2021, the SCNPC issued the Data Security Law to regulate data processing activities and security supervision in the PRC, which took effect on September 1, 2021. According to the Data Security Law, data processing activities shall be carried out in accordance with PRC laws and regulations, establishing and improving the data security management system of the whole process, organizing and carrying out data security education and training, and taking corresponding technical measures and other necessary measures to guarantee data security. Where data processing activities are carried out through the internet and other information networks, the above-mentioned data security protection obligations shall be fulfilled on the basis of the hierarchical network security protection system. In carrying out data processing activities, risk monitoring shall be strengthened, and remedial measures shall be taken immediately when data security defects, loopholes and other risks are found. In the event of a data security incident, the processors of data shall take immediate measures to deal with it, inform the user in time and report to the competent authorities in accordance with relevant provisions. The processors of important data shall, in accordance with relevant provisions, carry out regular risk assessments of their data processing activities and submit risk assessment reports to the competent authorities. The Data Security Law provides a national data security review system, under which data processing activities that affect or may affect national security shall be reviewed. Any organization or individual carrying out data processing activities that violates the Data Security Law shall bear the corresponding civil, administrative or criminal liability depending on the specific circumstances.

Along with the promulgation of the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law issued on July 6, 2021, overseas-listed China-based companies are experiencing a heightened scrutiny over their compliance with laws and regulations regarding data security, cross-border data flow and management of confidential information from PRC regulatory authorities. Such laws and regulations are expected to undergo further changes, which may require increased information security responsibilities and stronger cross-border information management mechanism and process.

On November 14, 2021, the CAC published the Draft CAC Regulations on Internet Data Security, which provides that data processors conducting the following activities shall apply for cybersecurity review: (1) merger, reorganization or division of internet platform operators in possession of a large number of data resources concerning national security, economic development or public interests, which affects or may affect national security; (2) data processors processing over one million individuals’ personal information that seek for listing in a foreign country; (3) listing in Hong Kong which affects or may affect national security; or (4) other data processing activities that affect or may affect national

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security. Any failure to comply with such requirements may subject us to, among others, suspension of services, fines, revoking relevant business permits or business licenses and penalties. However, it provides no further explanation or interpretation as to how to determine what “affects or may affect national security.” As of the date of this prospectus, the Draft CAC Regulations on Internet Data Security has not been formally adopted and would be subject to further guidance from the CAC.

On December 28, 2021, the CAC, the NDRC, MIIT, the MPS, the MSS, the Ministry of Finance (“MOF”), MOFCOM, the PBOC, the SAMR, the NRTA, the CSRC, the National Administration of State Secrets Protection, and the State Cryptography Administration jointly issued the Measures for Cybersecurity Review (2022), which became effective on February 15, 2022, to replace the previous Measures for Cybersecurity Review, which was issued on April 13, 2020 and took effect on June 1, 2020. The Measures for Cybersecurity Review (2022) stipulates that operators of critical information infrastructure purchasing network products and services, as well as data processors (together with the operators of critical information infrastructure, the “Operators”) carrying out data processing activities that affect or may affect national security, shall conduct a cybersecurity review. “The operator of critical information infrastructure” in the Measures for Cybersecurity Review (2022) refers to the operator identified by the critical information infrastructure protection authorities. According to the Measures for Cybersecurity Review (2022), an Operator who controls personal information of more than one million users must report to the cybersecurity review office for a cybersecurity review if it intends to be listed abroad. However, the Measures for Cybersecurity Review (2022) provides no further explanation or interpretation for “listed abroad.”

On July 30, 2021, the State Council issued the Regulations for the Security Protection of Critical Information Infrastructure (the “CII Regulations”), which came into effect on September 1, 2021. Pursuant to the CII Regulations, “critical information infrastructures” refers to important network facilities and information systems of important industries and sectors such as public communications and information services, energy, transport, water conservation, finance, public services, e-government, and science and technology industry for national defense, as well as other important network facilities and information systems that may seriously endanger national security, national economy and citizen’s livelihood and public interests if they are damaged or suffer from malfunctions, or if any leakage of data in relation thereto occurs. Competent authorities as well as the supervision and administrative authorities of the above-mentioned important industries and sectors are responsible for the security protection of critical information infrastructures (the “Protection Authorities”). The Protection Authorities will establish the rules for the identification of critical information infrastructures based on the particular situations of the industry and report such rules to the public security department of the State Council for record. The following factors must be considered when establishing identification rules: (1) the importance of network facilities and information systems to the core businesses of the industry and the sector; (2) the harm that may be brought by the damage, malfunction or data leakage of, the network facilities and information systems; and (3) the associated impact on other industries and sectors. The Protection Authorities are responsible for organizing the identification of critical information infrastructures in their own industries and sectors in accordance with the identification rules, promptly notifying the operators of the identification results and reporting to the public security department of the State Council. These provisions were newly issued, and detailed rules or explanations may be further enacted with respect to the interpretation and implementation of such provisions, including rules on identifying critical information infrastructures in different industries and sectors.

Based on the real-name telephone consultation regarding our proposed Listing in Hong Kong conducted on October 9, 2022 with the China Cybersecurity Review Technology and Certification Center, which is the competent authority entrusted by the CAC to set up cybersecurity review consultation hotlines, (1) the term of “listing in a foreign country (國外上市)” under the Measures for Cybersecurity Review does not apply to listings in Hong Kong, and thus the obligations to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to our proposed Listing, and (2) since the Draft CAC Regulations on Internet Data Security has not become effective or been formally implemented, the mandatory obligation to apply for a cybersecurity review with the CAC does not apply to our proposed Listing. Furthermore, (1) during the Track Record

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Period and up to the Latest Practicable Date, we had not encountered any incident of data or personal information leakage, violation of data protection and privacy laws and regulations or investigation or other legal proceeding against us that will materially and adversely affect our business operation, (2) we have not received any notification from the critical information infrastructure protection authorities of being identified as “an operator of critical information infrastructure” as of the date of this prospectus, and (3) we did not engage in any activities that might give rise to national security risks based on the factors set out in Article 10 of the Measures for Cybersecurity Review during the Track Record Period and up to the Latest Practicable Date. Therefore, our Directors and CM Law Firm, our legal advisors as to PRC cybersecurity and data privacy protection laws, are of the view that (1) the Measures for Cybersecurity Review and the Draft CAC Regulations on Internet Data Security would not have a material adverse effect on our business operations or our proposed Listing on the Stock Exchange, and (2) our business operation is unlikely to be deemed as affecting national security in light of the factors set out in Article 10 of the Measures for Cybersecurity Review. However, we cannot rule out the possibility that the cybersecurity review would apply to us, and we cannot assure you that the relevant government authorities will not interpret the regulations in ways that may negatively affect our business operations in the future.

Based on the independent due diligence work conducted as described below, nothing has come to the Joint Sponsors’ attention that would reasonably cause the Joint Sponsors to cast doubt on the views of the Directors and CM Law Firm as stated above:

- (i) discussed with the management of the Company to understand, among others, the applicability of the Measures for Cybersecurity Review and the Draft CAC Regulations on Internet Data Security to the Group’s principal business operations;
- (ii) discussed with CM Law Firm, the legal advisors of the Company as to cybersecurity and data privacy protection law, and reviewed the legal opinion in respect of data privacy and cybersecurity prepared by CM Law Firm and their consultation minutes with CCRC to understand, among others,
 - (a) the legal implications of the Measures for Cybersecurity Review and the Draft CAC Regulations on Internet Data Security and their impact on the Company’s business operation,
 - (b) CM Law Firm have had a phone consultation with the China Cybersecurity Review Technology and Certification Center (the “CCRC”) on a named basis, which is a competent authority delegated by the CAC to accept consultation and applications for cybersecurity review, and CCRC confirmed that (1) the term of “listing in a foreign country” (國外上市) under the Measures for Cybersecurity Review does not apply to listings in Hong Kong, and thus the obligations to proactively apply for cybersecurity review by an entity seeking listing in a foreign country shall not be applicable to the proposed listing, (2) since the Draft CAC Regulations on Internet Data Security has not become effective or been formally implemented, the mandatory obligation to apply for a cybersecurity review with the CAC does not apply to the proposed listing;
- (iii) obtained and reviewed (a) a summary of personal data collected and stored by the Company; and (b) the internal control measures and policies of the Company in relation to cybersecurity and data privacy protection; and
- (iv) conducted an expert interview with CM Law Firm to understand, among others, their credentials, work scope and methodology in conducting due diligence and issuing legal opinion in respect of data privacy and cybersecurity issue of the Company.

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The Administrative Provisions on Security Vulnerability of Network Products (the “Provisions”) was jointly promulgated by MIIT, the CAC and the MPS on July 12, 2021 and took effect on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. Network product providers are required to report relevant information of security vulnerability of network products with MIIT within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to administrative penalty as regulated in accordance with the Cybersecurity Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

On October 26, 2021, the CAC issued the Provisions on the Management of Account Names Information of Internet Users (Draft for Solicitation of Comments), which stipulates that the internet user account service platform shall perform the main responsibility of internet user account name information management, be equipped with management personnel and technical capability in corresponding with its business scale, establish a sound and strictly implement account names information management, authentic identity information verification, account professional qualification certification management, information content security, ecological governance, emergency response, personal information protection and credit evaluation management systems. If the internet user account service platform provides account registration services to minors, the platform shall obtain the consent of their guardians and verify the true identity information of the minors based on their resident ID numbers and verify the true identity information of their guardians.

On July 7, 2022, the CAC promulgated the Security Assessment Measures, effective from September 1, 2022, to regulate outbound data transfer activities, protect the rights and interests of personal information, safeguard national security and social public interests, and promote the cross-border security and free flow of data. Furthermore, the Security Assessment Measures provide that the security assessment for outbound data transfers shall follow principles of the combination of pre-assessment and continuous supervision and the combination of risk self-assessment and security assessment, so as to prevent the security risks arising from outbound data transfers, and ensure the orderly and free flow of data according to the law. As of the Latest Practicable Date, we had not been involved in any cross-border data transfer during our daily operations. We do not expect the Security Assessment Measures to have material impact on our daily operations in respect of the outbound data transfer.

REGULATIONS RELATED TO INTERNET PRIVACY

In recent years, PRC government authorities have enacted legislation on internet use to protect personal information from any unauthorized disclosure. PRC law does not prohibit internet content provision operators from collecting and analyzing personal information from their users. However, the Internet Measures prohibits an internet content provision operator from insulting or slandering a third party or infringing the lawful rights and interests of a third party.

The Several Provisions on Regulating the Market Order of Internet Information Services, promulgated by MIIT on December 29, 2011 and became effective on March 15, 2012, stipulates that internet content provision operators must not, without user consent, collect user personal information, which is defined as user information that can be used alone or in combination with other information to identify the user, and may not provide any such information to third parties without prior user consent. Internet content provision operators may only collect user personal information necessary to provide their services and must expressly inform the users of the method, content and purpose of the collection and processing of such user personal information. In addition, an internet content provision operator may only use such user personal information for the stated purposes under the internet content

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provision operator's scope of service. Internet content provision operators are also required to ensure the proper security of user personal information, and take immediate remedial measures if user personal information is suspected to have been disclosed. If the consequences of any such disclosure are expected to be serious, ICP operators must immediately report the incident to the telecommunications regulatory authority and cooperate with the authorities in their investigations.

The Cybersecurity Law imposes certain data protection obligations on network operators, including that network operators may not disclose, tamper with, or damage users' personal information that they have collected, and are obligated to delete unlawfully collected information and to amend incorrect information. Moreover, internet operators may not provide users' personal information to others without consent. Exempted from these rules is information irreversibly processed to preclude identification of specific individuals. The Cybersecurity Law also imposes breach notification requirements that will apply to breaches involving personal information.

On November 28, 2019, the CAC, MIIT, the MPS and the SAMR jointly issued the Measures to Identify Illegal Collection and Usage of Personal Information by APPs (App違法違規收集使用個人信息行為認定方法) (the "Identification Measures"), which lists six types of illegal collection and usage of personal information, including "failure to publicize rules for collecting and using personal information," "failure to expressly state the purpose, manner and scope of collecting and using personal information," "collection and usage of personal information without consent of users of such app," "collecting personal information irrelevant to the services provided by such app in violation of the principle of necessity," "provision of personal information to others without users' consent," "failure to provide the function of deleting or correcting personal information as required by laws" and "failure to publish information such as methods for complaints and reporting." As advised by CM Law Firm, we have implemented privacy policies in compliance with the Identification Measures, and as of the Latest Practicable Date, we had not been subject to any suspension of mobile apps or other material administrative penalties for illegal collection or usage of personal information as stipulated in the Identification Measures. See "Business — Data Privacy and Security."

On August 20, 2021, the SCNPC promulgated the Personal Information Protection Law (the "PIPL"), which took effect on November 1, 2021. Pursuant to the PIPL, "personal information" refers to any kind of information related to an identified or identifiable individual as electronically or otherwise recorded but excluding the anonymized information. The processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. The PIPL applies to the processing of personal information of individuals within the territory of the PRC, as well as personal information processing activities outside the territory of PRC, for the purpose of providing products or services to natural persons located within China, for analyzing or evaluating the behaviors of natural persons located within China, or for other circumstances as prescribed by laws and administrative regulations. A personal information processor may process the personal information of this individual only under the following circumstances: (1) where consent is obtained from the individual; (2) where it is necessary for the execution or performance of a contract to which the individual is a party, or where it is necessary for carrying out human resource management pursuant to employment rules legally adopted or a collective contract legally concluded; (3) where it is necessary for performing a statutory responsibility or statutory obligation; (4) where it is necessary in response to a public health emergency, or for protecting the life, health or property safety of a natural person in the case of an emergency; (5) where the personal information is processed within a reasonable scope to carry out any news reporting, supervision by public opinions or any other activity for public interest purposes; (6) where the personal information, which has already been disclosed by an individual or otherwise legally disclosed, is processed within a reasonable scope; or (7) any other circumstance as provided by laws or administrative regulations. In principle, the consent of an individual must be obtained for the processing of his or her personal information, except under the circumstances of the aforementioned items (2) to (7). Where personal information is to be processed based on the consent of an individual, such consent shall be a voluntary

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and explicit indication of intent given by such individual on a fully informed basis. If laws or administrative regulations provide that the processing of personal information shall be subject to the separate consent or written consent of the individual concerned, such provisions shall prevail.

Furthermore, the PIPL stipulates the rules for cross-border transfer of personal information. Any cross-border transfer of personal information is subject to the condition that it is necessary to provide the personal information to a recipient outside the territory of the PRC due to any business need or any other need, as well as the satisfaction of at least one of the following conditions: (1) where a security assessment organized by the national cyberspace administration has been passed; (2) where a certification of personal information protection has been passed from a professional institution in accordance with the provisions issued by the national cyberspace administration; (3) where a standard contract formulated by the national cyberspace administration has been entered into with the overseas recipient; or (4) any other condition prescribed by laws, administrative regulations or any other requirements by the national cyberspace administration. Critical information infrastructure operators and personal information processors who have processed personal information in an amount reaching a threshold prescribed by the national cyberspace administration, must store in the territory of the PRC the personal information collected or generated within the territory of the PRC. If it is necessary to provide such information to an overseas recipient, a security assessment organized by the national cyberspace administration must be passed.

As discussed in greater detail in “Business — Data Privacy and Security,” CM Law Firm, our legal advisors as to PRC cybersecurity and data privacy protection laws, are of the view that, during the Track Record Period and up to the Latest Practicable Date, we had complied with the PIPL in all material respects.

REGULATIONS RELATED TO ALGORITHM RECOMMENDATIONS

On September 17, 2021, the CAC and eight other authorities jointly promulgated the Notice on Promulgation of the Guiding Opinions on Strengthening the Comprehensive Governance of Algorithm-related Internet Information Services (關於加強互聯網信息服務算法綜合治理的指導意見), which provides that, among others, enterprises shall establish an algorithmic security responsibility system and a technology ethics vetting system, improve the algorithmic security management organization, strengthen risk prevention and control as well as potential danger investigation and governance, and improve the capacity to respond to algorithmic security emergencies. Enterprises shall also strengthen their sense of responsibility and assume the main responsibility for the results arising from the application of algorithms.

On December 31, 2021, the CAC, MIIT, the MPS and the SAMR jointly issued the Provisions on Algorithm Recommendation, which became effective on March 1, 2022. The Provisions on Algorithm Recommendation stipulates that algorithm recommendation service providers shall (1) fulfill their responsibilities for algorithmic security, (2) establish and improve management systems for, among other, algorithm mechanism examination, ethical vetting in technology, user registration, information release vetting, protection of data security and personal information, anti-telecommunications and internet fraud, security assessment and monitoring, and emergency response to security incidents, and (3) formulate and disclose relevant rules for algorithm recommendation services, and be equipped with professional staff and technical support appropriate to the scale of the algorithm recommendation services. The provider of algorithm recommendation services shall not use the services to (1) engage in any illegal activity which may endanger national security and social public interest, disturb economic and social order, or infringe legitimate rights and interest of third parties, or (2) disseminate any information prohibited by laws or regulations. The Provisions on Algorithm Recommendation further provides that, within 10 working days of the service provision commencement date, algorithm recommendation service providers with public sentiment attributes or social mobilizing capability shall perform filing procedures through the internet information services algorithm filing system, which was launched on March 1, 2022.

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We have submitted our filing report through such system. As of the Latest Practicable Date, we had not applied any algorithm recommendation technology prohibited or restricted under the Provisions on Algorithm Recommendation to the provision of internet information services. Based on the above, as advised by CM Law Firm, we have complied with existing laws and regulations concerning algorithm recommendation in all material respects, as evidenced by our internal policies and practices regarding algorithm recommendation. See “Business — Data Privacy and Security” for details.

REGULATIONS RELATED TO COMPANIES

The establishment, operation and management of corporate entities in China are governed by the PRC Company Law, which was promulgated on December 29, 1993, last amended with immediate effect on October 26, 2018. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

The latest major amendment to the PRC Company Law took effect on March 1, 2014, pursuant to which there is no longer a prescribed timeframe for shareholders of a company to make full capital contribution to a company, except as otherwise provided in other relevant laws, administrative regulations and State Council decisions. Instead, shareholders are only required to state the capital amount that they commit to subscribe to in the articles of association of the company. Furthermore, the initial payment of a company’s registered capital is no longer subject to a minimum capital requirement, and the business license of a company will not show its paid-up capital. In addition, shareholders’ contribution of the registered capital is no longer required to be verified by capital verification agencies.

REGULATIONS RELATED TO DIVIDEND DISTRIBUTIONS

The principal laws and regulations regulating the distribution of dividends by foreign-invested enterprises in the PRC include the PRC Company Law last amended in 2018 and the FIL. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company, including foreign-invested enterprise, is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided, and shall not 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 INTELLECTUAL PROPERTY

Copyright

The PRC has enacted various laws and regulations relating to the protection of copyright. The PRC is a signatory to some major international conventions on protection of copyright and became a member of the Berne Convention for the Protection of Literary and Artistic Works in October 1992, the Universal Copyright Convention in October 1992, and the Agreement on Trade-Related Aspects of Intellectual Property Rights upon its accession to the World Trade Organization in December 2001.

The Copyright Law of the People’s Republic of China (the “Copyright Law”), which was promulgated by the SCNPC on September 7, 1990 and last amended on November 11, 2020, provides that Chinese citizens, legal persons, or other organizations shall, whether published or not, enjoy copyright in their works, which include, among others, works of literature, art, natural science, social

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science, engineering technology and computer software. The purpose of the Copyright Law aims to encourage the creation and dissemination of works which is beneficial for the construction of socialist spiritual civilization and material civilization and promote the development and prosperity of Chinese culture.

Under the Regulation on Protection of the Right to Network Dissemination of Information that took effect on July 1, 2006 and was amended on January 30, 2013, it is further provided that an internet information service provider may be held liable under various situations, including if it knows or should reasonably have known a copyright infringement through the internet and the service provider fails to take measures to remove or block or disconnects links to the relevant content, or, although not aware of the infringement, the internet information service provider fails to take such measures upon receipt of the copyright holder's notice of infringement. The internet information service provider may be exempted from indemnification liabilities under the following circumstances:

- (1) any internet information service provider that provides automatic internet access service upon instructions from its users or provides automatic transmission service for works, performances and audio/visual products provided by its users is not required to assume indemnification liabilities if (i) it has not chosen or altered the transmitted works, performance and audio/visual products, and (ii) it provides such works, performances and audio/visual products to the designated users and prevents any person other than such designated users from obtaining access;
- (2) any internet information service provider that, for the sake of improving network transmission efficiency, automatically stores and provides to its own users the relevant works, performances and audio/visual products obtained from any other internet information service providers, is not required to assume the indemnification liabilities if (i) it has not altered any of the works, performances or audio/visual products that are automatically stored; (ii) it has not affected such original internet information service provider in holding the information about where the users obtain the relevant works, performances and audio/visual products; and (iii) when the original internet information service provider revises, deletes or shields the works, performances and audio/visual products, it will automatically revise, delete or shield the same;
- (3) any internet information service provider that provides its users with information memory space for such users to provide the works, performances and audio/visual products to the general public via an informational network is not required to assume the indemnification liabilities if (i) it clearly indicates that the information memory space is provided to the users and publicizes its own name, contact person and web address; (ii) it has not altered the works, performances and audio/visual products that are provided by the users; (iii) it is not aware of or has no justified reason to know that the works, performances and audio/visual products provided by the users infringe upon the copyrights of others; (iv) it has not directly derived any economic benefit from the providing of the works, performances and audio/visual products by its users; and (v) after receiving a notice from the copyright holder, it promptly deletes the allegedly infringing works, performances and audio/visual products pursuant to the regulation; and
- (4) an internet information service provider that provides its users with search engine or link services should not be required to assume the indemnification liabilities if, after receiving a notice from the copyright holder, it disconnects the link to the allegedly infringing works, performances and audio/visual products pursuant to the regulation, unless it is aware of or should reasonably have known the infringement.

Measures on Administrative Protection of Internet Copyright, which were promulgated by the MII and the National Copyright Administration of the PRC (the "NCAC") and took effect on May 30, 2005, provide that an internet information service provider shall take measures to remove the relevant

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contents, record relevant information after receiving the notice from the copyright owner that some content communicated through internet infringes upon his/its copyright and preserve the copyright owner's notice for six months. Where an internet information service provider clearly knows an internet content provider's tortious act of infringing upon another's copyright through internet, or fails to take measures to remove relevant contents after receipt of the copyright owner's notice although it does not know it clearly, and meanwhile damages public benefits, the infringer shall be ordered to stop the tortious act, and may be imposed of confiscation of the illegal proceeds and a fine of not more than three times the illegal business amount; if the illegal business amount is difficult to be calculated, a fine of not more than RMB100,000 may be imposed.

The Notice on Regulating Copyright Order of Internet Reproduction issued by the NCAC in 2015 includes the following four major points: (1) clarify certain important issues related to internet copyrights in existing laws and regulations, including the definition of news, clarify statutory licenses that are not applicable to internet copyrights and prohibit the distortion of title and work intent; (2) guide the press and media to further improve the internal management of copyrights, especially requesting the press to clarify the copyright sources of their content; (3) encourage the press and internet media to actively carry out copyright cooperation; and (4) ask the copyright administrations at all levels to strictly implement copyright supervision.

The Computer Software Copyright Registration Measures (the "Software Copyright Registration Measures"), which were promulgated by the NCAC on February 20, 2002, regulate registrations of software copyright, exclusive licensing contracts for software copyright and transfer contracts. The NCAC shall be the competent authority for the nationwide administration of software copyright registration and the Copyright Protection Center of China (the "CPCC") is designated as the software registration authority. The CPCC shall grant registration certificates to the Computer Software Copyrights applicants which conforms to the provisions of both the Software Copyright Registration Measures and the Computer Software Protection Regulations (Revised in 2013).

Provisions of the Supreme People's Court on Certain Issues Related to the Application of Law in the Trial of Civil Cases Involving Disputes over Infringement of the Right of Dissemination through Information Networks provide that web users or web service providers who create works, performances or audio-video products, for which others have the right of dissemination through information networks or are available on any information network without authorization shall be deemed to have infringed upon the right of dissemination through information networks.

The Notice on Launching "Jian Wang 2020" Special Actions Against Internet Piracy and Copyright Infringement, jointly issued by NCAC, MIIT, the MPS and CAC in 2020 includes carrying out special rectification of audio-visual works copyright, e-commerce platform copyright, social platform copyright, online education copyright, and consolidate the achievements of copyright management in key areas, including strengthen the protection of music copyright, and promote the improvement of online music copyright authorization system.

Trademark

Trademarks are protected by the Trademark Law of the PRC, which was promulgated on August 23, 1982 and last amended on April 23, 2019, as well as the Implementation Regulation of the PRC Trademark Law, which was adopted by the State Council on August 3, 2002 and amended on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks.

The PRC Trademark Office of National Intellectual Property Administration (the "Trademark Office") is responsible for the registration and administration of trademarks throughout the PRC, and grants a term of ten years to registered trademarks. Trademarks are renewable every ten years where a registered trademark needs to be used after the expiration of its validity term. A registration renewal application shall be filed within twelve months prior to the expiration of the term. A trademark

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registrant may license its registered trademark to another party by entering into a trademark license contract. Trademark license agreements must be filed with the Trademark Office to be recorded. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities. As with trademarks, the PRC Trademark Law has adopted a “first come, first file” principle with respect to trademark registration. Where trademark for which a registration application has been made is identical or similar to another trademark which has already been registered or been subject to a preliminary examination and approval for use on the same kind of or similar commodities or services, the application for registration of such trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use.

Patent

Patents are protected by the Patent Law of the PRC, which was promulgated on March 12, 1984 and last amended on October 17, 2020 with effect from June 1, 2021. A patentable invention or utility model must meet three conditions: novelty, inventiveness and practical applicability. Patents cannot be granted for scientific discoveries, rules and methods for intellectual activities, methods used to diagnose or treat diseases, animal and plant breeds, methods of nuclear transformation or substances obtained by means of nuclear transformation. The Patent Office under the National Intellectual Property Administration is responsible for receiving, examining and approving patent applications. A patent is valid for a twenty-year term for an invention, a ten-year term for a utility model and a fifteen-year term for a design. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent, or else the use will constitute an infringement of the rights of the patent holder.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by MIIT. MIIT is the major regulatory body responsible for the administration of the PRC internet domain names, under supervision of which the China Internet Network Information Center (the “CNNIC”) is responsible for the daily administration of .cn domain names and Chinese domain names. The CNNIC adopts the “first to file” principle with respect to the registration of domain names. In November 2017, MIIT promulgated the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Providing Internet-based Information Services, which became effective on January 1, 2018. Pursuant to the notice, the domain name used by an internet-based information service provider in providing internet-based information services must be registered and owned by such provider in accordance with the law. If the internet-based information service provider is an entity, the domain name registrant must be the entity (or any of the entity’s shareholders), or the entity’s principal or senior manager.

REGULATIONS RELATED TO FOREIGN EXCHANGE

General Administration of Foreign Exchange

Under the PRC Foreign Currency Administration Rules promulgated by the State Council on January 29, 1996 and last amended on August 5, 2008 and various regulations issued by SAFE and other relevant PRC government authorities, Renminbi is convertible into other currencies for the purpose of current account items, such as trade related receipts and payments, payment of interest and dividends. The conversion of Renminbi into other currencies and remittance of the converted foreign currency outside the PRC for the purpose of capital account items, such as direct equity investments, loans and repatriation of investment, requires the prior approval from SAFE or its local branches. Payments for transactions that take place within the PRC must be made in Renminbi. Unless otherwise provided by laws and regulations, PRC companies may repatriate foreign currency payments received

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from abroad or retain the same abroad. Foreign exchange proceeds under the current accounts may be either retained or sold to a financial institution engaging in settlement and sale of foreign exchange pursuant to relevant rules and regulations of the PRC.

REGULATIONS RELATED TO OFFSHORE INVESTMENT

Pursuant to SAFE's Notice on Relevant Issues Concerning Foreign Exchange Administration for PRC Residents to Engage in Financing and Inbound Investment via Overseas Special Purpose Vehicles ("SAFE Circular 75"), which became effective on November 1, 2005, the domestic residents, including domestic individuals and domestic companies, must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle (the "Overseas SPV"), for the purposes of overseas equity financing activities, and to update such registration in the event of any significant changes with respect to that offshore company.

On July 4, 2014, SAFE promulgated the Notice of the State Administration of Foreign Exchange on Issues Relating to Foreign Exchange Control for Overseas Investment and Financing and Round-tripping by Chinese Residents through Special Purpose Vehicles ("SAFE Circular 37"), which replaced SAFE Circular 75, for the purpose of simplifying the approval process and promoting cross-border investments. SAFE Circular 37 supersedes SAFE Circular 75 and revises and regulates the relevant matters involving foreign exchange registration for round-trip investment. Under SAFE Circular 37, a domestic resident must register with the local SAFE branch before he or she contributes assets or equity interests in an Overseas SPV that is directly established or indirectly controlled by the domestic resident for the purpose of conducting investment or financing. In addition, in the event of any change of basic information of the Overseas SPV such as the individual shareholder, name, operation term, etc., or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete the change of foreign exchange registration procedures for offshore investment. According to the procedural guideline as attached to SAFE Circular 37, the principle of review has been changed to "the domestic individual resident shall only register the Overseas SPV directly established or controlled (first level)."

At the same time, SAFE has issued the Operation Guidance for the Issues Concerning Foreign Exchange Administration Over Round-trip Investment with respect to the procedures for SAFE registration under SAFE Circular 37, which became effective on July 4, 2014 as an attachment to SAFE Circular 37. Under the relevant rules, failure to comply with the registration procedures set out in SAFE Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, and may also subject relevant PRC residents to penalties under PRC foreign exchange administration regulations. PRC residents who hold any shares in the company from time to time are required to register with SAFE in connection with their investments in the company.

On February 13, 2015, SAFE promulgated the Notice on Further Simplifying and Improving Policies for the Foreign Exchange Administration of Direct Investment, effective from June 1, 2015, which further amended SAFE Circular 37 by requiring domestic residents to register with qualified banks rather than SAFE or its local branches in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing.

REGULATIONS RELATED TO TAX

Enterprise Income Tax

The Law of the PRC on Enterprise Income Tax and The Regulations for the Implementation of the Law on Enterprise Income Tax (collectively, the "EIT Laws") were promulgated on March 16, 2007 and December 6, 2007, respectively, and were most recently amended on December 29, 2018 and April 23, 2019, respectively. According to the EIT Laws, taxpayers consist of resident enterprises and non-resident enterprises. Resident enterprises are defined as enterprises that are established in the PRC

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in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Laws and relevant implementing regulations, a uniform EIT rate of 25% is applicable. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside the PRC.

Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as the PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (“Circular 82”), which was promulgated by SAT on April 22, 2009 and amended on January 29, 2014 and December 29, 2017, sets out the standards and procedures for determining whether the “de facto management body” of an enterprise registered outside of the PRC and controlled by PRC enterprises or PRC enterprise groups is located within the PRC.

According to Circular 82, a Chinese-controlled offshore incorporated enterprise will be regarded as a PRC tax resident by virtue of having a “de facto management body” in the PRC and will be subject to PRC EIT on its worldwide income only if all of the following criteria are met: (1) the primary location of the day-to-day operational management is in the PRC; (2) decisions relating to the enterprise’s financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (3) the enterprise’s primary assets, accounting books and records, company seals, and board and shareholders meeting minutes are located or maintained in the PRC; and (4) 50% or more of voting board members or senior executives habitually reside in the PRC.

The EIT Laws permit certain HNTes to enjoy a reduced 15% EIT rate subject to these HNTes meeting certain qualification criteria. In addition, the relevant EIT laws and regulations also provide that entities recognized as Software Enterprises are able to enjoy a tax holiday consisting of a two-year-exemption commencing from their first profitable calendar year and a 50% reduction in ordinary tax rate for the following three calendar years, while entities qualified as key software enterprises can enjoy a preferential EIT rate of 10%.

The SAT Public Notice 7 was issued by SAT on February 3, 2015 and most recently amended pursuant to the Announcement on Issues Concerning the Withholding of Enterprise Income Tax at Source on Non-PRC Resident Enterprises, which was issued by SAT on October 17, 2017 and became effective on December 1, 2017. Pursuant to the SAT Public Notice 7, an “indirect transfer” of assets, including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be re-characterized and treated as a direct transfer of PRC taxable assets, if the arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC EIT. As a result, gains derived from an indirect transfer may be subject to PRC EIT. According to the SAT Public Notice 7, “PRC taxable assets” include assets attributed to an establishment or a place of business in the PRC, immovable properties in the PRC, and equity investments in PRC resident enterprises. In respect of an indirect offshore transfer of assets of a PRC establishment or place of business, the relevant gain is to be regarded as effectively connected with the PRC establishment or a place of business and therefore included in its EIT filing, and would consequently be subject to PRC EIT at a rate of 25%. Where the underlying transfer relates to the immovable properties in the PRC or to equity investments in a PRC resident enterprise, which is not effectively connected to a PRC establishment or a place of business of a non-resident enterprise, a PRC EIT rate at 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. There is uncertainty as to the implementation details of the SAT Public Notice 7.

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VAT and Business Tax

Before August 2013 and 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 revenue generated from providing services. However, if the services provided are related to technology development and transfer, the business tax may be exempted subject to approval by the relevant tax authorities.

In November 2011, MOF and SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. In May and December 2013, April 2014, March 2016 and July 2017, MOF and SAT promulgated five circulars to further expand the scope of services that are to be subject to VAT instead of business tax. Pursuant to these tax rules, from August 1, 2013, VAT was imposed to replace the business tax in certain service industries, including technology services and advertising services, and from May 1, 2016, VAT replaced business tax in all industries, on a nationwide basis. On November 19, 2017, the State Council further amended the Interim Regulation of PRC on Value Added Tax to reflect the normalization of the pilot program. The VAT rates generally applicable are simplified as 17%, 11%, 6% and 0%, and the VAT rate applicable to the small-scale taxpayers is 3%. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On April 4, 2018, MOF and SAT issued the Notice on Adjustment of VAT Rates, which came into effect on May 1, 2018. According to the notice, starting from May 1, 2018, the taxable goods previously subject to VAT rates of 17% and 11%, respectively, become subject to lower VAT rates of 16% and 10%, respectively.

On March 20, 2019, MOF, SAT and the General Administration of Customs issued the Announcement on Policies for Deepening the VAT Reform, which came into effect in April 2019, to further slash VAT rates. According to the announcement, (1) for general VAT payers' sales activities or imports previously subject to VAT at an existing applicable rate of 16% or 10%, the applicable VAT rate is adjusted to 13% or 9% respectively; (2) for the agricultural products purchased by taxpayers to which an existing 10% deduction rate is applicable, the deduction rate is adjusted to 9%; (3) for the agricultural products purchased by taxpayers for production or commissioned processing, which are subject to VAT at 13%, the input VAT will be calculated at a 10% deduction rate; (4) for the exportation of goods or labor services that are subject to VAT at 16%, with the applicable export refund at the same rate, the export refund rate is adjusted to 13%; and (5) for the exportation of goods or cross-border taxable activities that are subject to VAT at 10%, with the export refund at the same rate, the export refund rate is adjusted to 9%.

REGULATIONS RELATED TO EMPLOYMENT AND SOCIAL WELFARE

Labor Contract Law

According to the Labor Law of the PRC promulgated on July 5, 1994 and last amended on December 29, 2018, enterprises and institutions shall establish and improve their system of workplace safety and sanitation, strictly abide by state rules and standards on workplace safety, educate laborers in labor safety and sanitation in the PRC. Labor safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide laborers with a safe workplace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labor protection. The PRC Labor Contract Law, which was implemented on January 1, 2008 and amended on December 28, 2012, is primarily aimed at regulating employee/employer rights and obligations, including matters with respect to the establishment, performance and termination of labor contracts. Pursuant to the PRC Labor Contract Law, labor contracts shall be concluded in writing if labor relationships are to be or have been established between enterprises or institutions and the laborers. Enterprises and institutions are forbidden to force laborers to work beyond the time limit and employers

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shall pay laborers for overtime work in accordance with the laws and regulations. In addition, labor wages shall not be lower than local standards on minimum wages and shall be paid to laborers in a timely manner.

Social Insurance and Housing Fund

As required under the Regulation of Insurance for Labor Injury implemented on January 1, 2004 and amended on December 20, 2010, Provisional Measures for Maternity Insurance of Employees of Corporations implemented on January 1, 1995, Decisions on the Establishment of a Unified Program for Basic Old-Aged Pension Insurance for Employees of Corporations of the State Council issued on July 16, 1997, Decisions on the Establishment of the Basic Medical Insurance Program for Urban Workers of the State Council promulgated on December 14, 1998, Unemployment Insurance Measures promulgated on January 22, 1999 and Social Insurance Law of the PRC implemented on July 1, 2011 and amended on December 29, 2018, enterprises are obliged to provide their employees in China with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make up within a prescribed time limit.

In accordance with the Regulations on the Management of Housing Funds which were promulgated by the State Council on April 3, 1999 and last amended on March 24, 2019, enterprises must register at the competent managing center for housing funds and upon the examination by such managing center of housing funds, these enterprises shall complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Enterprises are also required to pay and deposit housing funds on behalf of their employees in full and in a timely manner.

REGULATIONS RELATED TO STRICTLY COMBATING ILLEGAL SECURITIES ACTIVITIES

On July 6, 2021, the General Office of the CPC Central Committee and the General Office of the State Council jointly promulgated the Opinions on Strictly Combating Illegal Securities Activities in Accordance with the Law, which called for the enhanced administration and supervision of overseas-listed China-based companies, proposed to revise the relevant regulation governing the overseas issuance and listing of shares by such companies and clarified the responsibilities of competent domestic industry regulators and government authorities.

REGULATIONS RELATED TO OVERSEAS SECURITIES OFFERING AND LISTING

Two draft regulations relating to overseas listing, i.e., the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), were released on December 24, 2021 for public comments. Pursuant to such draft regulations, domestic companies that apply for overseas listing are required to, among others, file and report to the CSRC. Uncertainties exist regarding the final form of these regulations and their interpretation and implementation after promulgation.

INDUSTRY OVERVIEW

Unless otherwise indicated, the information contained in this section is derived from various governmental and official publications, other publications and the market research report commissioned by us and prepared by Frost & Sullivan. We believe that the sources of information are appropriate, and we have taken reasonable and cautious care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. We, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any of our or their respective directors, senior management, representatives or any other person involved in the Global Offering have not independently verified information and statistics from official government sources and have made no representation as to the accuracy and completeness thereof.

SOURCES OF INFORMATION

This section includes information from the F&S Report, a report commissioned by us, as we believe such information imparts a greater understanding of the industry. We also commissioned Frost & Sullivan to conduct a user survey to better understand our users' profile, consumer behavior and other related information, and our reputation among users. Frost & Sullivan is a global consulting company and an independent third party. Founded in 1961, it has 45 offices worldwide with over 3,000 industry consultants, market research analysts and economists. We have agreed to pay Frost & Sullivan a total of approximately RMB1.5 million in fees for its commissioned undertakings. We believe that the payment of such fees does not impair the fairness of the conclusions drawn in the F&S Report and the F&S Survey. Figures and statistics provided in this prospectus and attributed to Frost & Sullivan, the F&S Report and the F&S Survey have been extracted from the F&S Report and published with the consent of Frost & Sullivan.

In preparing the F&S Report, Frost & Sullivan performed primary research which involved conducting interviews with leading industry participants and experts and secondary research which involved reviewing company reports, independent research reports and data based on Frost & Sullivan's research database. Frost & Sullivan also assumed that (1) China's economy is likely to maintain its steady growth in the forecast period, (2) China's social, economic and political environment is likely to remain stable in the forecast period, and (3) relevant market drivers are likely to drive the growth of China's career test preparation industry.

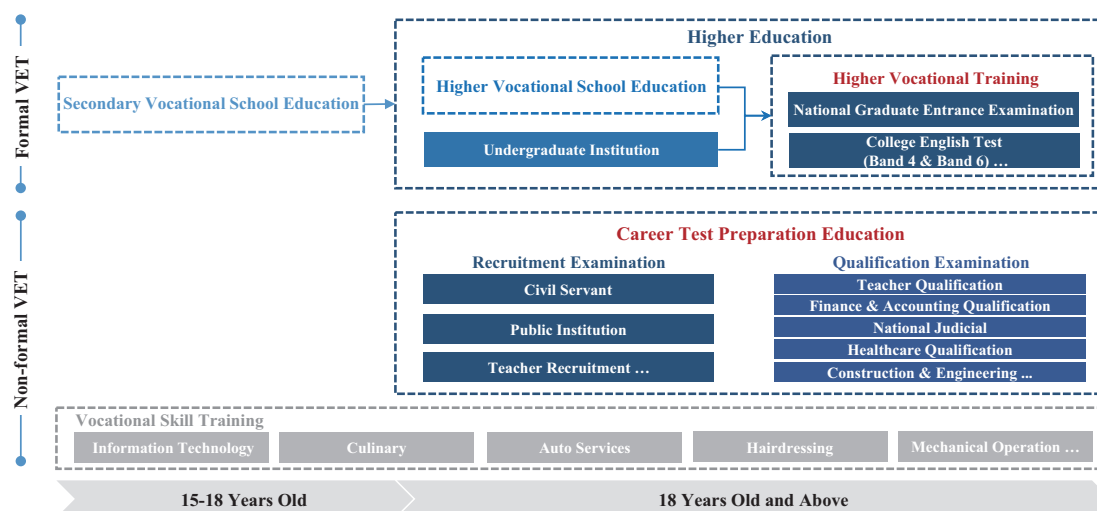
DIRECTORS' CONFIRMATION

After making reasonable inquiries, our Directors confirm that there has been no adverse change in the market information presented in the F&S Report since the date of the report that may qualify, contradict or impact the information in this section.

THE VOCATIONAL EDUCATION AND TRAINING INDUSTRY IN CHINA

China's vocational education and training ("VET") system can be categorized into formal VET and non-formal VET. Formal VET provides students with diplomas recognized by the PRC government upon completion. In contrast, non-formal VET equips students with knowledge and skills required for future employment without granting an official degree or diploma. The following diagram illustrates a simplified structure of China's VET system.

INDUSTRY OVERVIEW

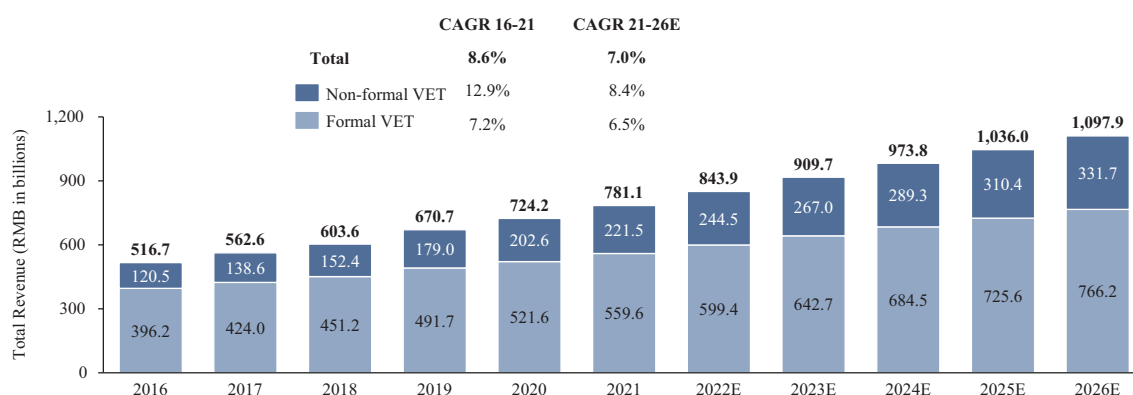


Source: F&S Report

In recent years, the PRC government has promulgated various favorable policies and regulations to promote vocational education, indicating its growing importance to China's education system and economic development. For example, the State Council issued the Implementation Plan for the National Vocational Education and Training Reform (國家職業教育改革實施方案) in February 2019, which encourages private sector involvement in vocational education. In March 2021, the State Council issued the draft amendments to the Vocational Education and Training Law of the PRC (中華人民共和國職業教育法(修訂草案)), which seeks to emphasize that vocational education and general education are equally important and call for societal participation in establishing vocational education schools and training institutions.

Driven by the favorable regulatory environment and the increasing competition and the rising credential requirements in the job market, China's VET industry, in terms of revenue, increased from RMB516.7 billion in 2016 to RMB781.1 billion in 2021 at a CAGR of 8.6% and is expected to reach RMB1,097.9 billion in 2026 at a CAGR of 7.0% from 2021 to 2026, according to the F&S Report.

Market Size of China's VET Industry, 2016-2026E⁽¹⁾



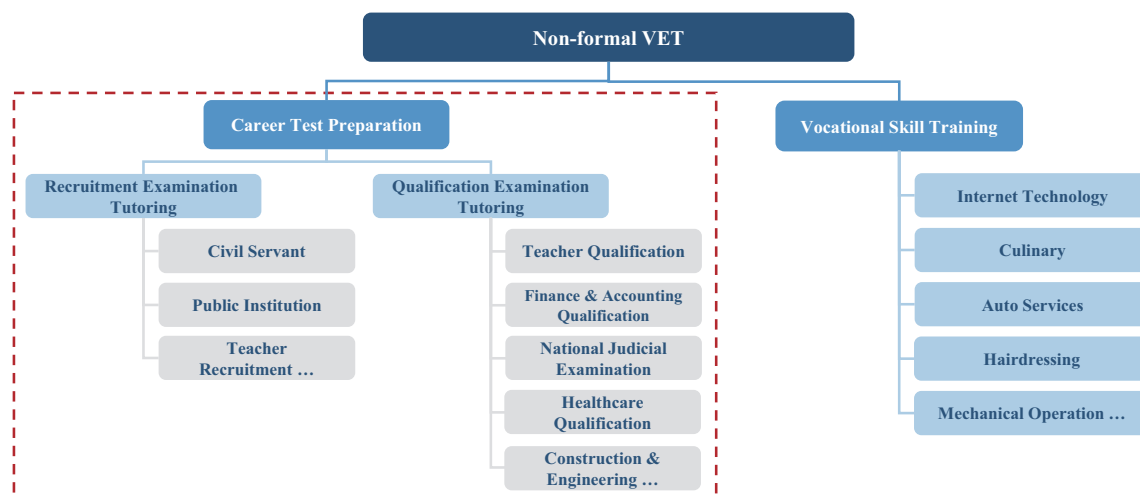
Source: Ministry of Education; Ministry of Human Resources and Social Security; F&S Report

(1) The aggregate revenue of China's non-formal VET industry includes tuitions paid by, or tuition revenue received from, individual students, excluding (i) public expenditures by the PRC central and local governments that are allocated to non-formal VET, and (ii) revenue generated from corporate training.

INDUSTRY OVERVIEW

THE NON-FORMAL VET INDUSTRY IN CHINA

China's non-formal VET consists of (1) career test preparation, which targets students seeking to secure a job position in government-sponsored institutions or various professions and industries through recruitment examinations, or acquire a professional certificate through qualification examinations, and (2) vocational skill training, which targets students seeking to acquire vocational skills in a specific area.

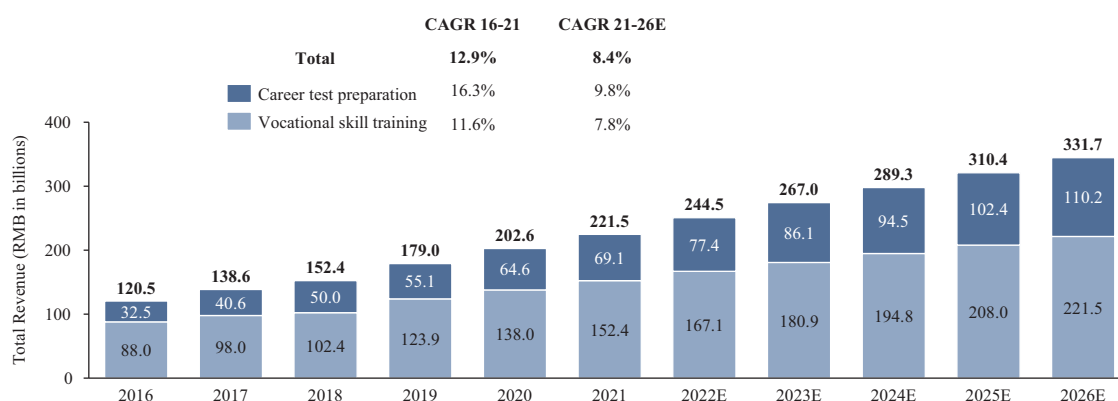


"- - - -" denotes the scope of the tutoring courses offered by Fenbi.

Source: F&S Report

Driven by the growing number of students enrolled in higher education institutions and the rising demand for professionals with requisite credentials and qualifications in China's job market, an increasing number of soon-to-be university graduates and young professionals are prompted to enhance their competence and boost their career prospects through career test preparation services, which has resulted in the faster growth of the career test preparation industry, compared to the overall non-formal VET industry. According to the F&S Report, China's non-formal VET industry, in terms of revenue, increased from RMB120.5 billion in 2016 to RMB221.5 billion in 2021 at a CAGR of 12.9% and is expected to reach RMB331.7 billion in 2026 at a CAGR of 8.4% from 2021 to 2026.

Market Size of China's Non-formal VET Industry, 2016-2026E

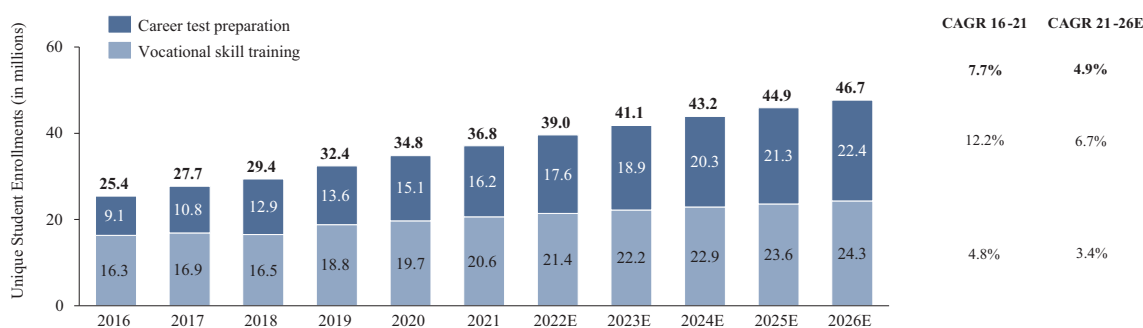


Source: Ministry of Education; Ministry of Human Resources and Social Security; F&S Report

In addition, the unique student enrollments of China's non-formal VET industry increased from 25.4 million in 2016 to 36.8 million in 2021 at a CAGR of 7.7% and are expected to reach 46.7 million in 2026 at a CAGR of 4.9% from 2021 to 2026, according to the F&S Report.

INDUSTRY OVERVIEW

Unique Student Enrollments of China's Non-formal VET Industry, 2016-2026E



Source: Ministry of Education; Ministry of Human Resources and Social Security; F&S Report

China's non-formal VET service providers are expected to continue to integrate online and offline resources to better address students' diversified learning needs, which also serves to expand their revenue streams. They will also seek to extend their service offerings beyond pre-employment training and offer comprehensive services covering the entire career development path, such as on-the-job training designed for career advancement opportunities. Non-formal VET service providers may further enrich their course offerings to cover additional adjacent verticals that complement their existing businesses. Non-formal VET service providers with strong brand recognition and robust curriculum development capability can more effectively scale up their operations and develop comprehensive and synergetic products and services, which allows them to outperform their competitors.

Competitive Landscape of China's Non-formal VET Industry

China's non-formal VET industry is highly fragmented, with the top five players accounting for an aggregate market share of 8.0% in terms of revenue in 2021. We ranked No. 3 with a market share of 1.4% in 2021.

Ranking	Non-formal VET Service Provider	Revenue from Non-formal VET Services (RMB in billions)	Market Share (%)
1	Company A ⁽¹⁾	6.9	3.1%
2	Company E ⁽²⁾	4.1	1.8%
3	Fenbi ⁽³⁾	3.0	1.4%
4	Company B ⁽⁴⁾	1.9	0.9%
5	Company C ⁽⁵⁾	1.8	0.8%
Top Five		17.7	8.0%
Total		221.5	100.0%

Source: F&S Report

- (1) Founded in 1999, Company A is a public company listed on the Shenzhen Stock Exchange primarily focusing on providing offline recruitment examination tutoring services.
- (2) Founded in 1988, Company E is a public company listed on the Stock Exchange primarily focusing on providing vocational skill training services.
- (3) As for Fenbi, revenue from non-formal VET services represented its total revenue generated from online and classroom-based tutoring courses minus revenue generated from its graduate school entrance examination preparation courses and English test preparation courses for college students.
- (4) Founded in 2006, Company B is a private company primarily focusing on providing online qualification examination tutoring services.
- (5) Founded in 2000, Company C is a private company primarily focusing on providing online qualification examination tutoring services.

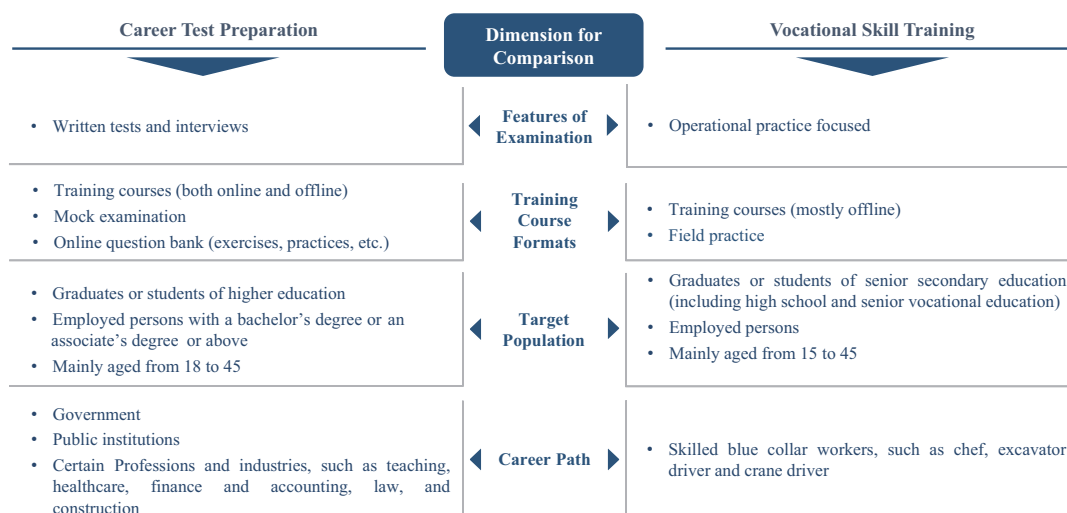
INDUSTRY OVERVIEW

THE CAREER TEST PREPARATION INDUSTRY IN CHINA

Overview of China's Career Test Preparation Industry

Career test preparation generally targets adult students, primarily including graduates or students of higher education and employees with a bachelor's degree (or an associate's degree (大專)) or above, who seek to work in government-sponsored institutions or certain professions and industries of similar nature, and provide them with recruitment examination tutoring and qualification examination tutoring. Career test preparation services generally prepare students for both written tests and interview tests, and are delivered through online and offline channels covering in-class learning and after-class exercises. By comparison, vocational skill training primarily helps graduates or students of senior secondary educational background acquire specialized vocational skills through training courses and field practice.

Recruitment and qualification examinations are generally results-driven. Upon passing the relevant examination, a student is able to secure a job opportunity or obtain a qualification certificate. As such, students are prompted to participate in career test preparation to improve their chances of passing the relevant examination. Some students, especially adult students with full-time jobs, are inclined to have more flexibility to take courses at their preferred time and location, while some other students prefer to prepare for the relevant examinations in a more scheduled, intensive and fully-devoted manner. Therefore, there is sustained demand for both online and classroom-based career test preparation services. When choosing the suitable service provider, a student typically makes determination based on whether a provider can satisfactorily address his or her learning needs with appropriate teaching mode and curriculum design.



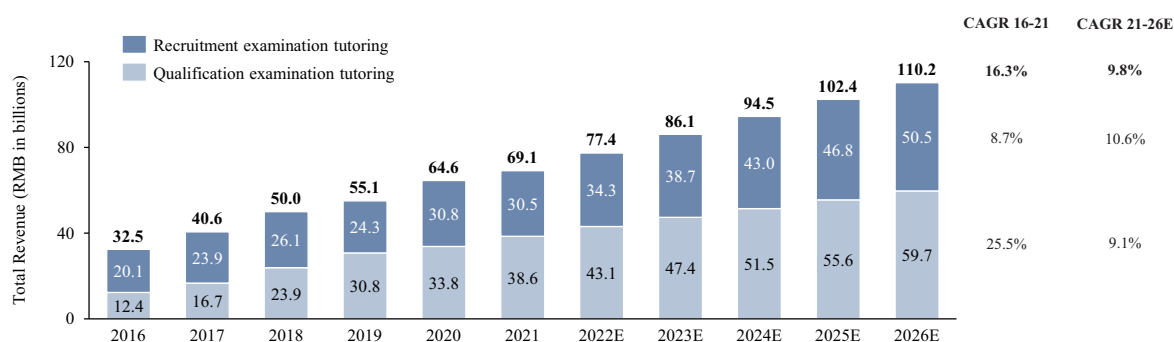
Source: F&S Report

Market Size of China's Career Test Preparation Industry

Driven by, among other things, the intensified competition in China's job market and favorable government regulations and policies, China's career test preparation industry has manifested significant upside potential. According to the F&S Report, China's career test preparation industry, in terms of revenue, increased from RMB32.5 billion in 2016 to RMB69.1 billion in 2021 at a CAGR of 16.3% and is expected to reach RMB110.2 billion in 2026 at a CAGR of 9.8% from 2021 to 2026. With continuous technological advancements and the proliferation of mobile devices, career test preparation services in China have transformed from a pure-play classroom-based format to a mix of online and offline settings. In addition, an increasing number of career test preparation service providers have been exploring online course delivery as an alternative to the traditional classroom-based teaching format amid the COVID-19 outbreak, which has further facilitated the integration of online and offline channels.

INDUSTRY OVERVIEW

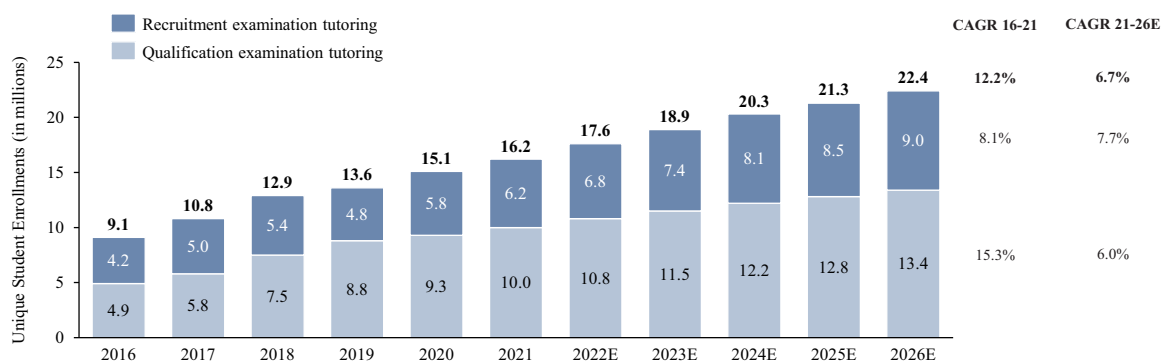
Market Size of China's Career Test Preparation Industry, 2016-2026E



Source: Ministry of Education; Ministry of Human Resources and Social Security; National Civil Service Administration; F&S Report

In addition, the unique student enrollments of China's career test preparation industry increased from 9.1 million in 2016 to 16.2 million in 2021 at a CAGR of 12.2% and are expected to reach 22.4 million in 2026 at a CAGR of 6.7% from 2021 to 2026, according to the F&S Report.

Unique Student Enrollments of China's Career Test Preparation Industry, 2016-2026E



Source: Ministry of Education; Ministry of Human Resources and Social Security; National Civil Service Administration; F&S Report

Key Drivers for China's Career Test Preparation Industry

According to the F&S Report, the development of China's career test preparation industry has been primarily driven by the following factors.

- Favorable government policies.** The PRC government has issued various favorable policies to promote vocational education and training and facilitate orderly market development, such as (1) the Action Plan to Improve the Quality of Vocational Education (2020-2023) (職業教育提質培優行動計劃(2020-2023年)) jointly released by nine PRC regulatory authorities, including the MOE, in September 2020, which aims to continue to improve the fairness, justice and quality of vocational education in China and accelerate its modernization, and (2) the Opinions on Promoting the High-quality Development of Modern Vocational Education and Training (關於推動現代職業教育高質量發展的意見) jointly released by the General Office of the CPC Central Committee and the General Office of the State Council in October 2021, which aims to establish a modern vocational education system in China by 2025 and continuously improve China's vocational education to make it among the best in the world by 2035. The government support is expected to facilitate the sustained growth of China's career test preparation industry.
- Technology-driven service upgrade.** RTC audio and video technologies have made immersive and interactive online courses possible, which enables career test preparation service providers to attract a broader student base, including adults with a full-time job and students from lower-tier cities who lack access to quality career test preparation services. In addition, while traditional offline tutoring courses are often unable to address a student's individual learning needs with a one-size-fits-all approach, the advancement of AI technologies and behavioral data analytics enables service providers to offer tailor-made learning content and plans, which have led to the growing demand for technology-driven tutoring services.

INDUSTRY OVERVIEW

- *Intensified competition in the job market.* Given the intense competition in the job market, an increasing number of candidates, primarily including both young professionals and soon-to-be graduates, are expected to develop new skills and purchase career test preparation services to enhance their competence and increase their chances of securing preferred job positions or obtaining requisite certifications and qualifications. As a result, the penetration rate of career test preparation services in China is expected to increase from 25.6% in 2021 to 28.9% in 2026, according to the F&S Report.
- *OMO integration.* The robust development of internet infrastructure and technologies enables the OMO integration of career test preparation services. Traditional offline training institutions are able to provide online courses and services through the internet to enlarge their student base and enhance brand recognition. Internet-born service providers can also expand into the offline sector to diversify their revenue streams. As a result, an increasing number of career test preparation service providers have delivered their services through both online and offline channels, with more learning options and product offerings, which is expected to further facilitate the penetration rate of China's career test preparation services.

Entry Barriers to China's Career Test Preparation Industry

According to the F&S Report, the career test preparation industry in China has the following entry barriers.

- *Technological capability.* In order to better accommodate the increasing complexity of examinations and the growing number of applicants, the ability to leverage online platforms and various technologies to effectively serve the diversified learning needs of a large number of students has been increasingly important. As such, technological capability has become a key differentiating factor in China's career test preparation industry, especially for players who focus primarily on the online sector. Established industry participants with solid technology infrastructure can support stable and smooth in-class experience through online channels and improve learning outcomes for students with technology-driven products and toolkits, which sets a high entry barrier for new entrants. Moreover, while existing players, supported by big data accumulation, are able to formulate well-crafted curricula and reference materials and provide targeted after-class services, new entrants generally are not able to provide such services due to their limited operating history. Additionally, leveraging their massive user base and big data accumulation, leading online players can manage and direct their offline expansion efforts more cost-effectively with data-driven insights.
- *Brand recognition.* Given the result-oriented nature of career test preparation services, students often prefer to choose a well-established brand with a proven track record. As such, service providers with strong brand awareness can leverage word-of-mouth referrals to grow the student base more cost-effectively. Brand recognition requires long-term efforts to cultivate, which poses considerable challenges to new market entrants.
- *High-caliber teaching staff.* High-caliber teaching staff are at the core of satisfactory learning outcomes and examination passage rates, which are highly valued by students when choosing service providers. Established career test preparation service providers generally have a deep bench of qualified teaching staff. In addition, long-standing players in the industry can continue to attract and retain high-caliber teaching staff with brand reputation, competitive compensation package and well-designed instructor training system. Given the intense competition for teaching talents in this field, the difficulty of recruiting qualified teaching staff may deter new players from entering the industry.
- *Comprehensive content offerings supported by robust content development capability.* The ability to develop and deliver comprehensive content offerings is one of the core competitive edges in China's career test preparation industry. The quality of course and curriculum designs are the principal factors considered by students when choosing service providers. The flagship courses offered by leading career test preparation service providers have gone through years of practical evaluations and, based on firsthand course delivery experience, have been developed with well-structured syllabi and proven learning outcomes. In addition, established market players with comprehensive course offerings can capture diversified learning needs to expand cross-selling and up-selling opportunities. However, it can be difficult for new entrants to launch well-structured courses or build a comprehensive course matrix in a short time. The coverage and quality of course offerings are dependent upon the content development capability of career test preparation service providers. Robust content development capability usually requires years of experience and a sophisticated content development team, which are not readily available for new market entrants.

Competitive Landscape of China's Career Test Preparation Industry

China's career test preparation industry is relatively fragmented, with the top five players accounting for an aggregate market share of 22.1% in terms of revenue in 2021. We ranked No. 2 with a 4.3% market share in 2021. In 2021, the market size of China's career test preparation industry in terms of revenue was RMB69.1 billion, accounting for 31.2% of the market size of the non-formal VET industry in China.

INDUSTRY OVERVIEW

Ranking	Career Test Preparation Service Provider	Revenue from Career Test Preparation Services (RMB in billions)	Market Share (%)
1	Company A ⁽¹⁾	6.9	10.0%
2	Fenbi ⁽²⁾	3.0	4.3%
3	Company B ⁽³⁾	1.9	2.7%
4	Company C ⁽⁴⁾	1.8	2.6%
5	Company D ⁽⁵⁾	1.7	2.5%
	Top Five	15.3	22.1%
	Total	69.1	100.0%

Source: F&S Report

- (1) Founded in 1999, Company A is a public company listed on the Shenzhen Stock Exchange primarily focusing on providing offline recruitment examination tutoring services.
- (2) As for Fenbi, revenue from career test preparation services represented its total revenue generated from online and classroom-based tutoring courses minus revenue generated from its graduate school entrance examination preparation courses and English test preparation courses for college students.
- (3) Founded in 2006, Company B is a private company primarily focusing on providing online qualification examination tutoring services.
- (4) Founded in 2000, Company C is a private company primarily focusing on providing online qualification examination tutoring services.
- (5) Founded in 2001, Company D is a private company primarily focusing on providing offline recruitment examination tutoring services.

We have been devoted to innovating the traditional offline teaching and learning settings with technologies, and have prompted the development of China’s career test preparation industry in various aspects since our inception, according to the F&S Report. As an internet-born market leader in China’s career test preparation industry, we launched our offline course offerings on a large-scale basis in May 2020 and achieved online-offline synergy by leveraging our established large user base and comprehensive course offerings on Fenbi online platform, according to the same source. Specifically, we generated annual online paid enrollments of over 1.0 million in the same year we launched our online operations and annual offline paid enrollments of over 0.5 million within one year, growing at an industry-leading pace.

According to the F&S Report, our cost structure is comparable with those of our listed industry peers. The cost of sales of us and our peers primarily consists of employee benefit expenses and lease expenses. Employee benefit expenses, as a major component of our total cost of sales, accounted for 42.0% of our total revenue in 2021, as compared to the industry average of 33.9%. Lease expenses accounted for 9.5% of our total revenue in 2021, which was lower than the industry average of 12.1%. Employee benefit expenses and lease expenses as a percentage of our total revenue decreased from 42.0% and 9.5% in 2021, respectively, to 26.3% and 5.3% in the six months ended June 30, 2022, respectively, primarily due to (1) the optimization of our employee structure, and (2) the strategic adjustment of the scale of our offline coverage, in addition to our overall efforts in improving operational efficiency.

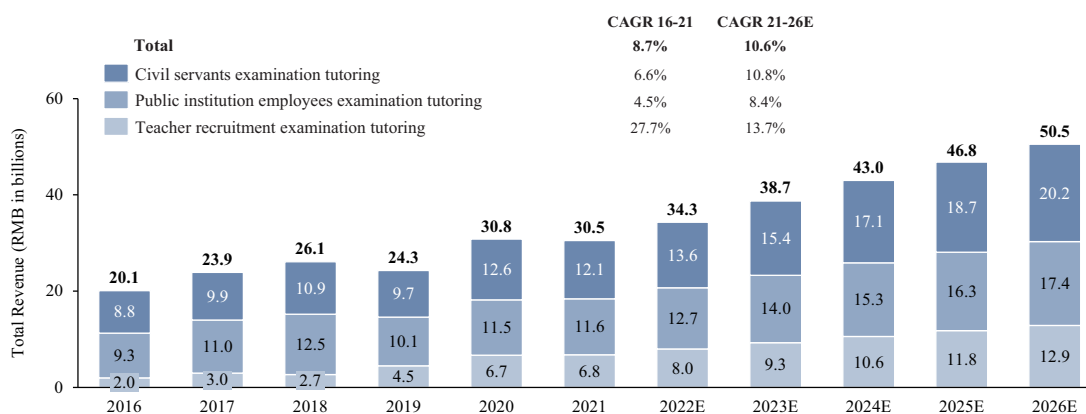
THE RECRUITMENT EXAMINATION TUTORING INDUSTRY IN CHINA

Overview of China’s Recruitment Examination Tutoring Industry

As a sub-sector of career test preparation, recruitment examination tutoring in China primarily consists of tutoring services for (1) civil servants examinations, (2) public institution employees examinations, and (3) teacher recruitment examinations. According to the F&S Report, China’s recruitment examination tutoring industry, in terms of revenue, increased from RMB20.1 billion in 2016 to RMB30.5 billion in 2021 at a CAGR of 8.7% and is expected to reach RMB50.5 billion in 2026 at a CAGR of 10.6% from 2021 to 2026.

INDUSTRY OVERVIEW

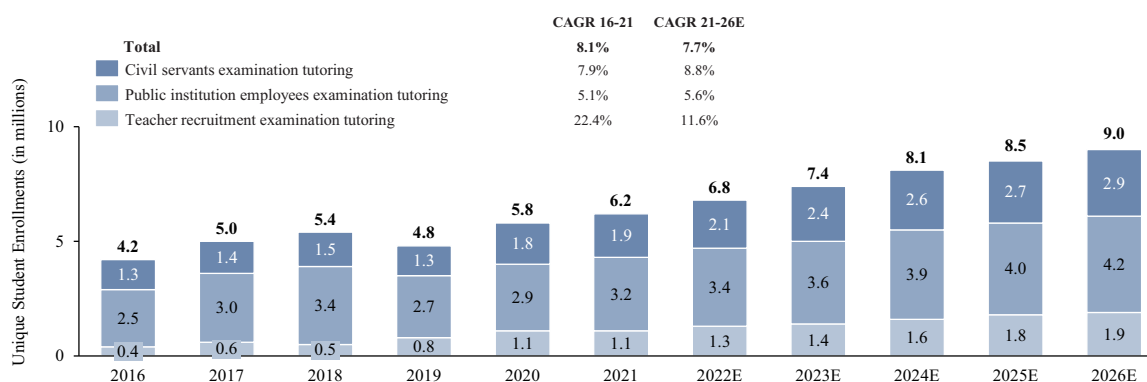
Market Size of China's Recruitment Examination Tutoring Industry, 2016-2026E



Source: Ministry of Education; Ministry of Human Resources and Social Security; National Civil Service Administration; F&S Report

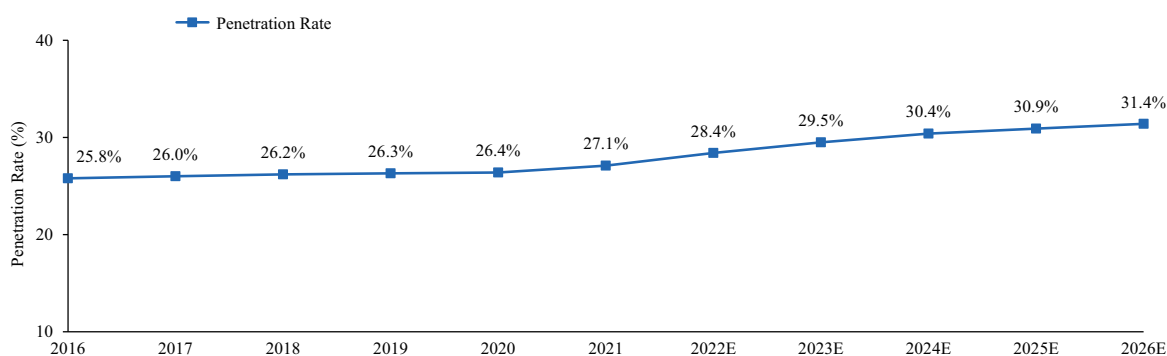
The unique student enrollments of China's recruitment examination tutoring industry increased from 4.2 million in 2016 to 6.2 million in 2021 at a CAGR of 8.1% and are expected to reach 9.0 million in 2026 at a CAGR of 7.7% from 2021 to 2026.

Unique Student Enrollments of China's Recruitment Examination Tutoring Industry, 2016-2026E



Source: Ministry of Education; Ministry of Human Resources and Social Security; National Civil Service Administration; F&S Report

Penetration Rate of Recruitment Examination Tutoring Industry (China), 2016-2026E



Source: Ministry of Education; Ministry of Human Resources and Social Security; National Civil Service Administration; F&S Report

INDUSTRY OVERVIEW

The market size and enrollments of China's recruitment examination tutoring industry experienced a decrease in 2019, primarily due to a decrease in the recruitment number of government-sponsored institutions in certain localities in 2019 as a result of institutional restructuring. For example, the number of recruitment of the National Civil Servants Examination was 14,537 in 2019, compared with that of 28,533 in 2018, according to the F&S Report.

The penetration rate of recruitment examination tutoring services in China is expected to increase from 27.1% in 2021 to 31.4% in 2026, according to the F&S Report. A growing number of applicants are expected to participate in recruitment examination tutoring to enhance their knowledge and skills so as to increase their chances of securing preferred job positions.

Market Drivers of China's Recruitment Examination Tutoring Industry

Recruitment examinations in China are highly competitive, as evidenced by the extremely low passage rates. For example, in 2021, the passage rate of the written test of the National Civil Servants Examination was 8.2%, and the final recruitment ratio of the National Civil Servants Examination was only 1.6%, representing an average of approximately 60 applicants competing for one position. Considering the high level of competition and difficulty of recruitment examinations, a growing number of applications are inclined to take tutoring courses to improve their chances of securing a preferred job position. In addition, the relatively stable and solid career prospects and returns and the satisfying personal fulfillment of serving in the public sector have attracted an increasing number of job-seekers, in particular the younger generation, in the China market.

According to the F&S Report, the key segments of China's recruitment examination tutoring industry have been driven by their respective growth drivers.

- *Civil servants and public institution employees examination tutoring.* In China, the urbanization process and the rapid population growth in urban areas have led to increasing demand from government-sponsored institutions for talents specialized in city governance and other relevant areas. Although the government employment-to-population ratio in China, which is calculated by dividing the population employed by governments, public institutions, public education institutions, public hospital institutions, and other government-sponsored social organizations by the total population, gradually increased from 2.5% in 2016 to 2.9% in 2020, there remains considerable growth potential for employment in China's public sector as compared to certain developed countries. For example, the government employment-to-population ratio of the United States, which is calculated by dividing the government-employed population with functions including education, hospital and healthcare, judicial and legal, public administration and welfare system by the total population, remained relatively stable at 4.5% and 4.6% in 2016 and 2020, respectively, according to the F&S Report. Moreover, China is expected to experience the retirement of massive civil servants as a result of the aging workforce, which may result in a shortage in adult employees in government-sponsored institutions. The number of applications for government-sponsored jobs in China is likely to grow to fill up potential job openings, which represents significant growth opportunities for China's recruitment examination tutoring industry.
- *Teacher recruitment examination tutoring.* The importance of education and the growing appetite for small-class teaching have led to rising demand for high-caliber teachers. In addition, the PRC government has promulgated policies and regulations to improve teachers' socio-economic status and welfare. For example, in July 2019, the State Council issued the *Opinions on Deepening the Reform of Education and Teaching and Improving the Quality of Compulsory Education* (關於深化教育教學改革全面提高義務教育質量的意見), which calls for competitive salaries and benefits for compulsory education teachers comparable to those for civil servants in the same locality. As such, the teacher recruitment examination tutoring industry in China is expected to experience rapid growth.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OVERVIEW

We are a non-formal VET service provider in China, dedicated to making high-quality non-formal VET services accessible through technology and innovation. The business of our Group can be traced back to the year of 2013 when Mr. Zhang joined YUAN Inc, a leading online tutoring service provider in China, started our online career test preparation business. Mr. Zhang and Mr. WEI Liang co-founded the online career test preparation business with a founding team including Ms. SHENG Haiyan, recognizing the opportunities in online education in light of the development of internet infrastructure and technology. See “Directors and Senior Management” for the biographical details of Mr. Zhang, Mr. WEI Liang and Ms. SHENG Haiyan. In 2015, Fenbi Bluesky, our major operating entity, was established to operate the online career test preparation business of our Group with seed capital support from YUAN Inc.

In 2020, our Group underwent a reorganization and was spun off from YUAN Inc, and our Company was incorporated to become the holding company of Fenbi Bluesky. See “— Corporate Development of Our Group — Reorganization” for details. Given that (1) the business of our Group has been operated independently from the remaining business of YUAN Inc under a separate management team led by Mr. ZHANG since its establishment; (2) the business of our Group and our target customers and users are different in nature from those of YUAN Inc; and (3) the business of our Group has been operated under a separate brand name, independently from those of YUAN Inc, the spin-off of our Group from YUAN Inc is beneficial to both our Group and YUAN Inc in the following aspects (1) the business of our Group is expected to undergo relatively rapid business expansion and would be appealing to an investor base that focuses on high growth opportunities in the non-formal VET business other than the online tutoring services targeting primarily young children provided by YUAN Inc; (2) the spin-off could better reflect the value of our Group based on its own merits and further enhance its operational and financial transparency through which investors would be able to appraise and assess the performance and potential of our Group separately and distinctly from those of YUAN Inc; (3) the spin-off would also lead to a more direct alignment of our Group’s management’s responsibilities and accountability with the operating and financial performance of our Group; (4) the spin-off would enable our Group to promote our brand and business to the investors independently, and enable us to directly and independently access capital markets in the future; and (5) the spin-off and independent listing would enhance our Group’s profile and brand name among its users and business partners.

OUR MILESTONES

The following is a summary of our key business development milestones.

<u>Timeline</u>	<u>Event</u>
December 2013	We launched our first “Fenbi” mobile app, which is also the first comprehensive online training mobile app in China’s recruitment examination tutoring industry, according to the F&S Report.
September 2014	We launched our online civil servants examinations tutoring course, being the first of its kind in China, according to the same source.
December 2014	We launched our in-house developed RTC video system.
March 2015	We launched the first large-scale online mock examination product in China’s recruitment examination tutoring industry, according to the F&S Report.
June 2015	We launched the first comprehensive online question bank in China’s recruitment examination tutoring industry, according to the F&S Report.
December 2018	We launched the “challenge exercise” product leveraging our industry-leading data analytics and AI technologies.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

<u>Timeline</u>	<u>Event</u>
May 2020	We launched our offline course offerings on a large-scale basis to achieve OMO synergy.
June 2020	We launched our online premium courses with personalized tutoring services.
December 2020	Our annual paid enrollments first crossed 9.6 million.
December 2021	We established an extensive offline network covering 31 provinces, autonomous regions and municipalities in China.

OUR PRINCIPAL SUBSIDIARIES AND OPERATING ENTITIES

The following subsidiaries of our Group had made material contribution to our results of operations during the Track Record Period and up to the Latest Practicable Date.

<u>Name</u>	<u>Place of establishment</u>	<u>Date of establishment</u>	<u>Interest held by our Group</u>	<u>Principal business activities</u>
Fenbi Bluesky	PRC	February 25, 2015	100%	Online education and training services
Tianxia Culture	PRC	March 25, 2016	100%	Sales of books
Tianxia Education.	PRC	November 15, 2016	100%	Offline education and training services
Lancai Tianxia	PRC	October 27, 2020	100%	Book printing

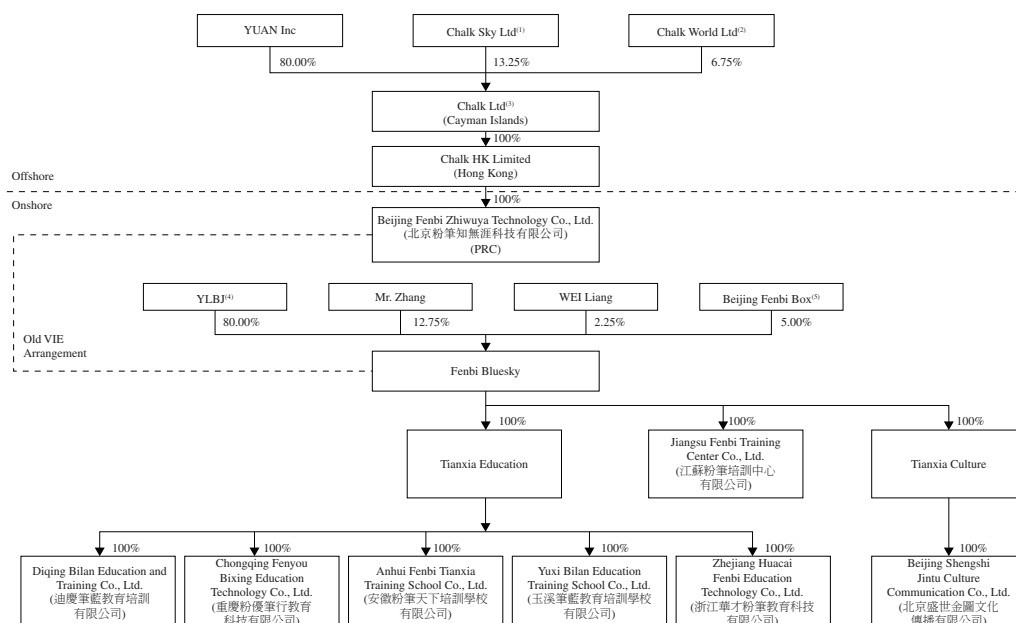
CORPORATE DEVELOPMENT OF OUR GROUP

Prior to the establishment of our Company in December 2020, our businesses were operated through Chalk Ltd, an exempted company with limited liability incorporated in the Cayman Islands in February 2018 and a non-wholly owned subsidiary of YUAN Inc. Chalk Ltd controlled the business of the Group and our primary operating entity in the PRC, Fenbi Bluesky, through a series of contractual agreements, including business cooperation agreement, exclusive option agreement and equity pledge agreement (the “Old VIE Arrangement”). YUAN Inc is a leading online tutoring service provider based in China, targeting primarily young children. Since its inception in 2012, YUAN Inc has focused on inspiring students’ learning interest through technology, and has recently expanded its business to engage in apparel manufacturing and operating coffee shops and postpartum care centers.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Reorganization

The following chart sets forth the simplified corporate structure of the Group immediately prior to the Reorganization.



- (1) Chalk Sky Ltd was wholly-owned by Mr. Zhang, our executive Director, chairman of the Board, chief executive officer and one of our Controlling Shareholders.
- (2) Chalk World Ltd was wholly-owned by Mr. WEI Liang, our executive Director, president, chief technology officer and one of our Controlling Shareholders.
- (3) 5.00% of the enlarged share capital of Chalk Ltd was reserved as the underlying shares for the purpose of the employee share incentive plan of Chalk Ltd.
- (4) YLBJ is a PRC holding company of the PRC subsidiaries of YUAN Inc, and is owned by Mr. LI Yong, Mr. LI Xin, certain employees and financial investors of YUAN Inc.
- (5) Beijing Fenbi Box Enterprise Management LLP (北京粉筆盒子企業管理合夥企業(有限合夥)) (“Beijing Fenbi Box”) is an employee shareholding platform of the Group.

With a view to streamlining the shareholding structure of our Group and spinning off our Group from YUAN Inc, the Reorganization, as described below, has been carried out by YUAN Inc and us in anticipation of the Listing.

Set forth below is a summary of the major steps of the Reorganization.

Step 1: Restructuring of the VIE Arrangement

Prior to the Reorganization, Fenbi Bluesky, our primary operating entity in the PRC, was a consolidated affiliated entity of YUAN Inc and controlled by Chalk Ltd through the Old VIE Arrangement.

As part of the Reorganization, on November 25, 2020, YLBJ, a registered shareholder of Fenbi Bluesky transferred all its 80.00% equity interest in Fenbi Bluesky to Mr. LI Yong, Mr. LI Xin and Mr. GUO Changzhen (an employee of YUAN Inc and an Independent Third Party), immediately following which, Fenbi Bluesky was owned as to 70.66% by Mr. LI Yong, as to 12.75% by Mr. Zhang, as to 7.78% by Mr. LI Xin, as to 2.25% by Mr. WEI Liang, as to 1.56% by Mr. GUO Changzhen, and as to 5.00% by Beijing Fenbi Box, and such persons have served as new registered shareholders of Fenbi Bluesky since then. Accordingly, on the same date, a set of transitional contractual agreements (“Transitional VIE Arrangement”) with substantially the same terms as the Old VIE Arrangement were

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

entered into by and among Chalk Ltd, Chalk HK Limited, Beijing Fenbi Zhiwuya Technology Co., Ltd. (北京粉筆知無涯科技有限公司), Fenbi Bluesky and its subsidiaries, and then existing registered shareholders, in order to reflect such changes in registered shareholders of Fenbi Bluesky and replace the Old VIE Arrangement.

Step 2: Establishment of New Corporate Structure

Prior to the spin-off of our Group from YUAN Inc, the sole purpose of Chalk Ltd, Chalk HK Limited and Beijing Fenbi Zhiwuya Technology Co., Ltd. (collectively, the “Old Holding Companies”) was to hold the business of Fenbi Bluesky, our primary operating entity. Our Company was established as the new listing vehicle of our Group because YUAN Inc intends to use the Old Holding Companies to hold and operate other business of YUAN Inc due to business reasons.

On December 14, 2020, our Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001 each, among which, 477,534,400 ordinary shares were designated as class A ordinary shares and 22,465,600 ordinary shares were designated as class B ordinary shares.

On December 31, 2020, in anticipation of the establishment of new corporate structure of our Group, the Transitional VIE Arrangement was terminated. As a transitional arrangement and part of the Reorganization, on the same date, a confirmation agreement (the “Confirmation Agreement”) was entered into by and among the Company, Fenbi Bluesky and its then current registered shareholders, pursuant to which, the Company was entitled to control the operation and management of Fenbi Bluesky and its subsidiaries until the new contractual arrangements were established in July 2021. See “— Step 5: Establishment of New VIE Arrangement” for details.

Step 3: Flipping down of shareholding to the Company

In December 2020, the shareholdings of then shareholders of YUAN Inc were flipped down to the Company so as to mirror the beneficial ownership and equity interests of the shareholders in Chalk Ltd to that of the Company, pursuant to which, we issued and allotted class A ordinary shares, class B ordinary shares and series A preferred shares of our Company to the respective shareholders of YUAN Inc, as well as the investment holding companies controlled by the other shareholders of Chalk Ltd, on a pro rata basis with appropriate adjustment at nominal consideration. See notes to the table under “— Capitalization of the Company” for the details of such shareholders that hold meaningful shareholding in our Company.

Immediately after the aforementioned share issuance in December 2020, the authorized share capital of our Company was US\$50,000 divided into (i) 386,747,800 ordinary shares with a par value of US\$0.0001 each, including 364,282,200 class A ordinary shares and 22,465,600 class B ordinary shares, and (ii) 113,252,200 series A preferred shares with a par value of US\$0.0001 each. Among which, (i) 42,483,500 class A ordinary shares with a par value of US\$0.0001 each, (ii) 22,465,600 class B ordinary shares with a par value of US\$0.0001 each, and (iii) 113,252,200 series A preferred shares with a par value of US\$0.0001 each, were issued and outstanding.

Step 4: Establishment of offshore entity and new WFOEs

On January 15, 2021, Fenbi HK was incorporated under the laws of Hong Kong with limited liability as a wholly-owned subsidiary of our Company.

On April 9, 2021 and July 22, 2021, Fenbi ShangAn and Fenbi ChuXin were established under the laws of the PRC, respectively, as the new wholly-foreign owned entities of our Group.

Step 5: Establishment of New VIE Arrangement

On July 31, 2021, in order to comply with relevant foreign investment restrictions in the PRC and maintain effective control over the operations of our PRC operating entities, (i) Fenbi ShangAn entered into the Fenbi BlueSky Contractual Arrangements with Fenbi Bluesky and its registered shareholders,

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

and (ii) Fenbi ChuXin entered into a series of contractual arrangements (including business cooperation agreement, exclusive option agreement, and equity pledge agreement) (“Tianxia Education Contractual Arrangements”) with Tianxia Education and its registered shareholder, to exercise control over the business operation of Tianxia Education and its subsidiaries.

On January 25, 2022, in order to ensure our contractual arrangements are narrowly tailored in accordance with the requirements of the Stock Exchange, we terminated the Tianxia Education Contractual Arrangements and further transferred the shareholding in Tianxia Education from Fenbi Bluesky to Fenbi ChuXin, so as that we can control Tianxia Education and its subsidiaries through the direct equity interest. See “— Step 6: Restructuring of certain onshore companies,” “— Step 7: Acquisition of Tianxia Culture and Tianxia Education by Fenbi ChuXin” and “Contractual Arrangements” for details.

Step 6: Restructuring of certain onshore companies

On October 15, 2021, the shareholding held by the registered shareholders of Fenbi Bluesky were adjusted, where Mr. LI Yong, Mr. LI Xin and Mr. GUO Changzhen transferred their respective 70.56%, 7.68% and 1.46% equity interests in Fenbi Bluesky to Mr. Zhang, at an aggregate consideration of approximately RMB8.0 million, which was determined with reference to the registered capital of Fenbi Bluesky; after which, among others, Mr. Zhang owns 92.45% of the equity interests in Fenbi Bluesky.

On July 22, 2021, as part of our internal business restructuring, Tianxia Culture transferred 100% of the equity interests in Lancai Tianxia to Fenbi Bluesky, after which Lancai Tianxia became a wholly-owned subsidiary of Fenbi Bluesky.

In order to ensure our contractual arrangements are narrowly tailored in accordance with the requirements of the Stock Exchange, Fenbi Bluesky (i) transferred 49.9% of the equity interests in Lancai Tianxia to Tianxia Education on November 24, 2021; and (ii) transferred 100% of the equity interests in Jiangsu Fenbi Training Center Co., Ltd. to Tianxia Education on July 22, 2021.

Step 7: Acquisition of Tianxia Culture and Tianxia Education by Fenbi ChuXin

On November 30, 2021, an individual investor subscribed for 2% equity interests in Tianxia Culture and Tianxia Education at a consideration of approximately RMB1.4 million and RMB0.2 million, respectively, immediately after which, each of Tianxia Culture and Tianxia Education was owned as to 98% by Fenbi Bluesky and as to 2% by the individual investor.

On December 31, 2021, Fenbi ChuXin acquired 100% equity interest in Tianxia Culture from Fenbi Bluesky and the individual investor at an aggregate consideration of approximately RMB69.9 million. On the same date, Fenbi ChuXin acquired 100% equity interest in Tianxia Education from Fenbi Bluesky and the individual investor at an aggregate consideration of RMB10.0 million.

See “— Corporate Structure” for details of the corporate structure immediately after the Reorganization.

Our PRC Legal Advisors confirmed that, all necessary approvals, permits and licenses required under PRC laws and regulations in connection with the Reorganization have been obtained.

ESTABLISHMENT OF FAMILY TRUSTS

The ZXL Family Trust is a discretionary trust established by Mr. ZHANG Xiaolong as the settlor and the protector and Ocorian Trust Company as the trustee, and the beneficiaries of the trust include Mr. Zhang and his family members. On February 11, 2022, Chalk Sky Ltd allotted and issued 49,999 shares at par value of US\$1.00 each to Sonata (BVI) Limited which is wholly owned by Ocorian Trust Company, representing 99.998% of the enlarged share capital of Chalk Sky Ltd.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The WL Family Trust is a discretionary trust established by Mr. WEI Liang as the settlor and the protector and Ocorian Trust Company as the trustee, and the beneficiaries of the trust include Mr. Wei and his family members. On February 11, 2022, Chalk World Ltd allotted and issued 49,999 shares at par value of US\$1.00 each to Creciendo (BVI) Limited which is wholly owned by Ocorian Trust Company, representing 99.998% of the enlarged share capital of Chalk World Ltd.

SHARE INCENTIVE SCHEME

In anticipation of the Listing and as part of the Reorganization, in December 2020, we adopted the Pre-IPO Share Option Scheme to replace the previous share incentive plans of Chalk Ltd. The purpose of the Pre-IPO Share Option Scheme is to provide a means whereby Directors, members of the senior management, employees and consultants of the Group can acquire and maintain equity ownership, thereby strengthening their commitment to the welfare of the Group. As of the Latest Practicable Date, we granted options to subscribe for 218,537,500 Shares as underlying shares. See “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme” for details.

CONCERT PARTY ARRANGEMENT

Pursuant to a concert party agreement (the “Concert Party Agreement”) dated September 6, 2021 entered into by and among Mr. Zhang, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin (each a “Concert Party” and collectively, the “Concert Parties”), the Concert Parties acknowledged that they had been acting in concert with, and followed the instruction of, Mr. Zhang in respect of the decision making at the Board meeting and Shareholders meeting level relating to the business operation, corporate governance and major issues of the Company, and at board or shareholder meetings of any member of the Group, where applicable, since December 31, 2020 when the Group was spun-off from YUAN Inc; and the Concert Parties agreed to continue to act in concert with, and follow the instruction of, Mr. Zhang to vote, themselves or through any entity directly or indirectly controlled by them that own equity interest in the Company or any member of the Group, unanimously for any resolutions proposed at the Board meetings and Shareholders meetings of the Company and at such meetings of any member of the Group, where applicable. The Concert Party Agreement will not terminate until, whichever is the earliest: (i) all parties thereto agree in writing to terminate such agreement, (ii) (as to such party) a party ceases to be a shareholder of the Company or a shareholder of any member of the Group, or (iii) (as to the Company or such member of the Group as the case may be) the Company or any member of the Group is dissolved.

In addition, pursuant to our amended and restated shareholders agreement dated March 3, 2021 entered into, among others, by the Company and then shareholders of the Company, Mr. Zhang was granted three votes at the meetings of the Board as compared to one vote granted to each of the other members of the Board, and the Concert Parties were granted the right to collectively appoint four directors of the Company, and such rights granted to Mr. Zhang and the Concert Parties will be terminated upon the Listing.

SHARE SUBDIVISION AND SHARE REDESIGNATION

On December 20, 2022, our Shareholders resolved that, among other things, (i) each of our issued and unissued shares with par value of US\$0.0001 each be subdivided into ten Shares of our Company with par value of US\$0.00001 each, after which, the authorized share capital of our Company shall be US\$50,000 divided into 5,000,000,000 Shares with par value of US\$0.00001 each; and (ii) on the Listing Date, each of the issued and unissued series A preferred shares, series B preferred shares, class A ordinary shares and class B ordinary shares of our Company will be re-designated as one ordinary share of our Company with par value of US\$0.00001 each. See “Share Capital” for details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION OF THE COMPANY

The following table sets out our shareholding structure as of the date of this prospectus and immediately upon completion of the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme.

Shareholders	Class A ordinary shares of par value US\$0.00001 each	Series A preferred shares of par value US\$0.00001 each	Series B preferred shares of par value US\$0.00001 each	Aggregate total number of shares of par value US\$0.00001 each as of the date of this prospectus	Aggregate ownership percentage as of the date of this prospectus	Aggregate ownership percentage upon completion of the Global Offering ⁽¹⁾
Chalk Sky Ltd ⁽²⁾	257,200,000	—	—	257,200,000	12.38%	12.26%
Chalk World Ltd ⁽³⁾	57,665,000	—	—	57,665,000	2.78%	2.75%
Green Creek Holding Limited ⁽⁴⁾	62,988,000	—	—	62,988,000	3.03%	3.00%
Feel the Truth Limited ⁽¹⁷⁾	20,702,000	364,000	—	21,066,000	1.01%	1.00%
Chuang Ding Holding Limited ⁽¹⁶⁾	13,610,000	—	—	13,610,000	0.66%	0.65%
Kun Yu Holding Limited ⁽¹⁸⁾	12,670,000	—	—	12,670,000	0.61%	0.60%
Liang Ma Limited ⁽⁵⁾	224,656,000	35,080,000	—	259,736,000	12.50%	12.38%
LI Xin ⁽⁴⁾	79,132,000	—	—	79,132,000	3.81%	3.77%
IDG-Accel China Growth Fund III L.P. ⁽⁷⁾	—	142,454,000	—	142,454,000	6.86%	6.79%
IDG-Accel China III Investors L.P. ⁽⁷⁾	—	10,108,000	—	10,108,000	0.49%	0.48%
EVEN CLASSIC LIMITED ⁽⁷⁾	—	25,506,000	—	25,506,000	1.23%	1.22%
Spring Moment Limited ⁽⁷⁾	—	5,366,000	—	5,366,000	0.26%	0.26%
Matrix Partners China II, L.P. ⁽⁸⁾	—	134,884,800	—	134,884,800	6.49%	6.43%
Matrix Partners China II-A, L.P. ⁽⁸⁾	—	14,987,200	—	14,987,200	0.72%	0.71%
X Adventure Fund I L.P. ⁽¹⁹⁾	—	2,036,000	—	2,036,000	0.10%	0.10%
CMC Ape Holdings Limited ⁽²⁰⁾	—	22,724,000	—	22,724,000	1.09%	1.08%
Taurus Fund L.P. ⁽⁴⁾	—	17,236,000	—	17,236,000	0.83%	0.82%
Morespark Limited ⁽⁶⁾	—	84,724,000	—	84,724,000	4.08%	4.04%
Tencent Mobility Limited ⁽⁶⁾	—	178,736,000	—	178,736,000	8.60%	8.52%
Triple Max Holding Limited ⁽⁶⁾	—	8,694,000	—	8,694,000	0.42%	0.41%
TPP Opportunity I Holding C Limited ⁽⁶⁾	—	13,042,000	—	13,042,000	0.63%	0.62%
TPP Fund II Holding C Limited ⁽⁶⁾	—	8,330,000	—	8,330,000	0.40%	0.40%
VH PDII Holdings Limited ⁽⁹⁾	—	8,148,000	—	8,148,000	0.39%	0.39%
HH AUT-XI Holdings Limited ⁽⁹⁾	—	84,724,000	—	84,724,000	4.08%	4.04%
SUM XIII Holdings Limited ⁽⁹⁾	—	32,148,000	—	32,148,000	1.55%	1.53%
Starry Planet Limited ⁽¹¹⁾	—	40,326,000	—	40,326,000	1.94%	1.92%
Novich International Investment Limited ⁽²¹⁾	—	5,548,000	—	5,548,000	0.27%	0.26%
KIWI JOLLY LIMITED ⁽²²⁾	—	1,702,000	—	1,702,000	0.08%	0.08%
3W Global Fund ⁽²³⁾	—	1,064,000	—	1,064,000	0.05%	0.05%
Blue Sky Frontier ⁽²⁴⁾	—	5,670,000	—	5,670,000	0.27%	0.27%
Blue Sky Frontier II ⁽²⁴⁾	—	3,222,000	—	3,222,000	0.16%	0.15%
Skycus China Fund, L.P. ⁽¹³⁾	—	6,810,000	—	6,810,000	0.33%	0.32%
Duckling Fund, L.P. ⁽¹³⁾	—	4,880,000	24,291,000	29,171,000	1.40%	1.39%

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholders	Class A ordinary shares of par value US\$0.00001 each	Series A preferred shares of par value US\$0.00001 each	Series B preferred shares of par value US\$0.00001 each	Aggregate total number of shares of par value US\$0.00001 each as of the date of this prospectus	Aggregate ownership percentage as of the date of this prospectus	Aggregate ownership percentage upon completion of the Global Offering ⁽¹⁾
DST Asia VII ⁽¹²⁾	—	13,148,000	—	13,148,000	0.63%	0.63%
DSTG VI Investments-A, L.P. ⁽¹²⁾	—	4,880,000	—	4,880,000	0.23%	0.23%
DSTG VI Investments-C, L.P. ⁽¹²⁾	—	9,758,000	—	9,758,000	0.47%	0.47%
DSTG VII Investments-3, L.P. ⁽¹²⁾	—	12,190,000	—	12,190,000	0.59%	0.58%
Winning Eleven Pro Ltd ⁽²⁵⁾	—	1,064,000	—	1,064,000	0.05%	0.05%
Wisdom Choice Global Fund, L.P. ⁽²⁶⁾	—	1,064,000	—	1,064,000	0.05%	0.05%
LUCK LEGEND INTERNATIONAL HOLDINGS LIMITED ⁽²⁷⁾	—	1,064,000	—	1,064,000	0.05%	0.05%
Hundreds Golden Vision Fund L.P. ⁽²⁸⁾	—	958,000	8,097,000	9,055,000	0.44%	0.43%
Hundreds ANTA Fund Limited Partnership ⁽²⁸⁾	—	974,000	—	974,000	0.05%	0.05%
CY Banana Investment Limited ⁽¹⁴⁾	—	9,758,000	—	9,758,000	0.47%	0.47%
DCP Vigor Limited ⁽¹⁵⁾	—	6,824,000	—	6,824,000	0.33%	0.33%
Ocean Alliance IV, L.P. ⁽²⁹⁾	—	4,880,000	—	4,880,000	0.23%	0.23%
TB Ape on the Rise Holdings Limited ⁽¹⁰⁾	—	7,812,000	—	7,812,000	0.38%	0.37%
Library Group Volume I ⁽³⁰⁾	—	3,328,000	—	3,328,000	0.16%	0.16%
Wen Yuan Ltd ⁽³⁰⁾	—	1,550,000	—	1,550,000	0.07%	0.07%
Highbury Investment Pte Ltd ⁽³¹⁾	—	9,758,000	—	9,758,000	0.47%	0.47%
Dan Capital Taihang Limited Partnership ⁽³²⁾	—	3,906,000	—	3,906,000	0.19%	0.19%
BLUEMOUNTAIN NOBLE LIMITED ⁽³³⁾	—	2,934,000	—	2,934,000	0.14%	0.14%
Trinityville Profit Limited ⁽³⁴⁾	—	974,000	—	974,000	0.05%	0.05%
Franchise Fund LP ⁽³⁵⁾	—	974,000	—	974,000	0.05%	0.05%
Aranda Investments Pte. Ltd. ⁽³⁶⁾	—	4,880,000	—	4,880,000	0.23%	0.23%
YF Crescent Moon Limited ⁽³⁷⁾	—	29,276,000	—	29,276,000	1.41%	1.40%
Kevin Sunny Holding Limited ⁽³⁸⁾	—	1,946,000	—	1,946,000	0.09%	0.09%
LIN Bin ⁽³⁹⁾	—	974,000	—	974,000	0.05%	0.05%
Modish Century Limited ⁽⁷⁾	—	—	40,485,630	40,485,630	1.95%	1.95%
TBP Chalk Chalk Investment Holdings Limited ⁽¹⁰⁾	—	—	64,777,000	64,777,000	3.12%	3.09%
CF Training Investment Limited ⁽¹⁴⁾	—	—	24,291,000	24,291,000	1.17%	1.16%
East Lake Asia Investments Limited ⁽⁴⁰⁾	—	—	17,813,000	17,813,000	0.86%	0.85%
Tipping Point Limited ⁽¹⁵⁾	—	—	24,291,000	24,291,000	1.17%	1.16%
United Strength Elegant Limited ⁽⁴¹⁾	—	—	10,526,000	10,526,000	0.51%	0.50%
Alpha Fibonacci Holdings Limited ⁽²⁰⁾	—	—	8,097,000	8,097,000	0.39%	0.39%
Dan Capital Wuyi L.P. ⁽³⁵⁾	—	—	8,097,000	8,097,000	0.39%	0.39%
3W Global Investment Limited ⁽⁴²⁾	—	—	4,048,000	4,048,000	0.19%	0.19%
Weight Capital L.P. ⁽⁴³⁾	—	—	4,048,000	4,048,000	0.19%	0.19%
Merchant Skill Limited ⁽⁷⁾	—	—	24,291,370	24,291,370	1.17%	1.16%
NINGBO XIAOYAO EQUITY INVESTMENT PARTNERSHIP	—	—	23,805,000	23,805,000	1.15%	1.14%
ENTERPRISE (LIMITED PARTNERSHIP)	—	—	—	—	—	—
(寧波逍遙股權投資合夥企業(有限合伙)) ⁽¹⁶⁾	—	—	—	—	—	—

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholders	Class A ordinary shares of par value US\$0.00001 each	Series A preferred shares of par value US\$0.00001 each	Series B preferred shares of par value US\$0.00001 each	Aggregate total number of shares of par value US\$0.00001 each as of the date of this prospectus	Aggregate ownership percentage as of the date of this prospectus	Aggregate ownership percentage upon completion of the Global Offering ⁽¹⁾
NINGBO BADOU EQUITY INVESTMENT PARTNERSHIP						
ENTERPRISE (LIMITED PARTNERSHIP)						
(寧波八斗股權投資合夥企業(有限合夥)) ⁽¹⁶⁾	—	—	16,194,000	16,194,000	0.78%	0.77%
Shenzhen Jinglin Jingying Equity Investment Fund (Limited Partnership) 深圳景林景盈股權投資基金合夥企業(有限合夥)⁽⁴⁴⁾						
Other public Shareholders pursuant to the Global Offering	—	—	12,145,000	12,145,000	0.58%	0.58%
TOTAL	728,623,000	1,033,388,000	315,297,000	2,077,308,000	100.00%	100.00%

* The number of shares is adjusted to reflect the Share Subdivision unless otherwise stated.

(1) Assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme.

The following notes set forth information of our Shareholders. Except for Chalk Sky Ltd, Chalk World Ltd, Chalk Wonder Ltd, Chalk World Ltd, Liang Ma Limited, Mr. LI Xin, Green Creek Holding Limited, Taurus Fund L.P., Tencent Shareholders and IDG USD Fund Shareholders and IDG RMB Fund Shareholder (as defined below), each of the other Shareholders is an Independent Third Party.

- Mr. Zhang is deemed to be interested in the entire interests held by Chalk Sky Ltd, a company incorporated in the BVI. See notes under “— Corporate Structure” and “Substantial Shareholders” for details.
- Mr. WEI Liang is deemed to be interested in the entire interests held by Chalk World Ltd, a company incorporated in the BVI. See notes under “— Corporate Structure” and “Substantial Shareholders” for details.
- Green Creek Holding Limited is a company incorporated in the BVI and wholly owned by Mr. LI Xin. Taurus Fund L.P. is a Cayman Islands exempted limited partnership, the general partner of which is controlled by Mr. LI Xin.
- Liang Ma Limited is a company incorporated in the BVI and wholly owned by Mr. LI Yong.

(6) Tencent Shareholders include Morespark Limited, Tencent Mobility Limited, Triple Max Holding Limited, TPP Opportunity I Holding C Limited, and TPP Fund II Holding C Limited, all of which are ultimately controlled by Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 0700). Each of Tencent Mobility Limited and Morespark Limited is a limited liability company incorporated under the laws of Hong Kong and a subsidiary of Tencent Holdings Limited. Triple Max Holding Limited is an exempted company incorporated in the Cayman Islands and beneficially owned by TPP Follow-on Fund I, LP, whose general partner is TPP Follow-on GP I, Ltd, which is in turn ultimately controlled by Tencent Holdings Limited. TPP Opportunity I Holding C Limited is an exempted company incorporated in the Cayman Islands and beneficially owned by TPP Opportunity Fund I, LP, whose general partner is TPP Opportunity GP I, Ltd, which is in turn ultimately controlled by Tencent Holdings Limited. TPP Fund II Holding C Limited is an exempted company incorporated in the Cayman Islands and beneficially owned by TPP Fund II, LP, whose general partner is TPP GP II, Ltd, which is in turn ultimately controlled by Tencent Holdings Limited.

(7) IDG-Accel China Growth Fund III L.P. and IDG-Accel China III Investors L.P. are exempted limited partnerships incorporated under the laws of the Cayman Islands which are ultimately controlled by Mr. Quan Zhou and Mr. Chi Sing Ho. Each of Modish Century Limited and Spring Moment Limited is a BVI business company and wholly owned by IDG Breyer Capital Fund L.P. which is ultimately controlled by Mr. Quan Zhou and Mr. Chi Sing Ho. EVEN CLASSIC LIMITED is a BVI business company ultimately controlled by Mr. Chi Sing Ho. IDG-Accel China Growth Fund III L.P., IDG-Accel China III Investors L.P., Modish Century Limited, Spring Moment Limited and EVEN CLASSIC LIMITED are collectively referred to as “IDG USD Fund Shareholders.” Merchant Skill Limited (referred to as “IDG RMB Fund Shareholder”) is a BVI business company and wholly owned by Shang Hai Jin Zhi Enterprise Management Consulting Partnership (Limited Partnership) (上海瑾芝企業管理諮詢合夥企業(有限合夥)), the sole general partner of which is Tibet Yu Chi Venture Capital Management Co. Ltd (西藏昱馳創業投資管理有限公司), a limited liability company established in the PRC and controlled by Jingbo Wang, Kuiguang Niu and Fei Yang, all of whom are IDG Capital partners. Founded in 1992, IDG Capital is a pioneer in introducing foreign venture capital into China. During its over 20 years of operation, IDG Capital brings a powerful combination of global perspective and local expertise in investment management, and its highly skilled team has an in-depth understanding of the China market with close relationships with many successful entrepreneurs and influential business leaders.

- (8) Matrix Shareholders include Matrix Partners China II, L.P. and Matrix Partners China II-A, L.P., each being an exempted limited partnership organized and existing under the laws of the Cayman Islands. The general partner of Matrix Partners China II, L.P. and Matrix Partners China II-A, L.P. is Matrix China Management II, L.P. The general partner of Matrix China Management II, L.P. is Matrix China II GP GP, Ltd. Each of Matrix Partners China II, L.P. and Matrix Partners China II-A, L.P. is a venture capital fund with a primary purpose of making investments in the PRC, mainly focusing on companies in the advanced technology, mobile internet, healthcare and consumer sectors. Matrix Partners China II Hong Kong Limited, a company incorporated under the laws of Hong Kong and owned as to 90% by Matrix Partners China II, L.P. and 10% by Matrix Partners China II-A, L.P., transferred its 90% and 10% shareholding in the Company to Matrix Partners China II, L.P. and Matrix Partners China II-A, L.P., respectively, on May 26, 2022.
- (9) Hillhouse Shareholders include VH PDII Holdings Limited, HH AUT-XI Holdings Limited and SUM XIII Holdings Limited. Each of SUM XIII Holdings Limited, VH PDII Holdings Limited and HH AUT-XI Holdings Limited is an exempted company incorporated under the laws of Cayman Islands and wholly-owned by Hillhouse Fund IV, L.P., the sole investment manager of which is Hillhouse Investment Management, Ltd., a company incorporated in the Cayman Islands with limited liability (“Hillhouse Investment”). Founded in 2005, Hillhouse Investment is a global private equity firm of investment professionals and operating executives who are focused on building and investing in high quality business franchises that achieve sustainable growth. Independent proprietary research and industry expertise, in conjunction with world-class operating and management capabilities, are key to its investment approach. Hillhouse partners with exceptional entrepreneurs and management teams to create value, often with a focus on innovation and growth. Hillhouse invests in the fields of healthcare, business services, broad consumption and industrials. Hillhouse manages assets on behalf of institutional clients from across the globe.
- (10) Each of TBP Chalk Chalk Investment Holdings Limited and TB Ape on the Rise Holdings Limited is an exempted company incorporated under the laws of BVI and is controlled by Trustbridge Partners. Trustbridge Partners is a leading growth equity investor with offices in Shanghai, Hong Kong and Boston, focusing on high-quality growth opportunities in China, such as TMT, consumer and healthcare sectors.
- (11) Starry Planet Limited is a company incorporated in the Cayman Islands with limited liability and is controlled by Boyu Capital Fund IV, L.P. The general partner of Boyu Capital Fund IV, L.P. is Boyu Capital General Partner IV, Ltd. Boyu Capital Group Management Ltd. acts as the investment advisor of Boyu Capital Fund IV, L.P. Boyu Capital Group Management Ltd. is a private investment firm with an integrated, synergistic platform that specializes in private equity, public equity, venture capital and real estate. Employing a theme-driven and long-term oriented approach, it provides growth and transformational capital for leading businesses and entrepreneurs in areas that include technology, healthcare, consumer and business services.
- (12) DST Asia VII is a Mauritius private company limited by shares, and each of DSTG VI Investments-A, L.P., DSTG VI Investments-C, L.P. and DSTG VII Investments-3, L.P. is a Cayman Islands exempted limited partnership. DST Asia VII is wholly owned by DST Global VII, L.P., a Cayman Islands exempted limited partnership, which is controlled by DST Managers VII Limited, its general partner (“DSTM VII”). Each of DSTG VI Investments-A, L.P. and DSTG VI Investments-C, L.P. is controlled by DST Managers VI Limited, its respective general partner (“DSTM VI”, and together with DSTM VII, the “General Partners”). DSTG VII Investments-3, L.P. is controlled by DSTM VII, its general partner. The General Partners are ultimately controlled by Galileo (PTC) Limited, a BVI business company, as the trustee of The Cassiopeia Trust. The Cassiopeia Trust is an irrevocable discretionary trust established under the Laws of Jersey.
- (13) Skycus China Fund, L.P. is a limited partnership incorporated in the Cayman Islands. The general partner of Skycus China Fund, L.P. is Parallel Universes Asset Management Limited which is ultimately controlled by Mr. Eric Li, an Independent Third Party. Skycus China Fund, L.P. primarily invests in strategic emerging industries (including telecommunication, media and technology, culture, sports and grand health industries). Duckling Fund, L.P. is a limited partnership incorporated in the Cayman Islands. The general partner of Duckling Fund is Grandiflora Hook GP Limited which is ultimately controlled by Mr. Eric Li, an Independent Third Party. The sole limited partner of Duckling Fund is Lionet Fund, L.P., which is a fund focusing on logistics, healthcare, telecommunication, media, technology and consumer industries investment. The general partner of Lionet Fund, L.P. is Grandiflora Hook GP Limited.
- (14) CF Training Investment Limited and CY Banana Investment Limited are business companies incorporated in the BVI. CF Training Investment Limited is wholly-owned by CPE Global Opportunities Fund II, L.P. (“GOF II”), an exempted limited partnership registered in the Cayman Islands, whose general partner is CPE GOF GP Limited, an entity established in the Cayman Islands wholly-owned by CPE Management International Limited, which in turn is wholly owned by CPE Management International II Limited. CPE Management International II Limited is owned by a number of shareholders that are natural persons none of whom controls CPE Management International II Limited. CY Banana Investment Limited is owned as to 86% by CPE China Fund III, L.P. (“CPE Fund III”) and 14% by CPE Global Opportunities Fund, L.P. (“GOF”). CPE Fund III and GOF are two exempted limited partnerships registered in the Cayman Islands. The general partner of CPE Fund III is CPE Funds III Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is wholly owned by CPE Holdings Limited. CPE Holdings Limited is wholly owned by CPE Holdings International Limited. CPE Holdings International Limited is owned by a number of shareholders that are natural persons none of whom controls CPE Holdings International Limited. The general partner of GOF is CPE GOF GP Limited. GOF II, CPE Fund III and GOF (collectively, “CPE Funds”) are principally engaged in private equity investments. The investors of CPE Funds include sovereign wealth funds, pension funds, insurance and financial institutions, fund of funds, endowments, and other global institutional investors across North America, Europe, Asia and the Middle East.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (15) Tipping Point Limited and DCP Vigor Limited (together with their respective affiliates, collectively, “DCP”) are companies incorporated in the Cayman Islands, each of which is ultimately owned by DCP Capital Partners, L.P., a Cayman Islands exempted limited partnership, the fund size of which is approximately US\$2.05 billion. DCP General Partner, Ltd., a Cayman Islands exempted company, is the general partner of DCP Capital Partners, L.P. DCP General Partner, Ltd. is controlled by DCP, a leading Greater China-focused private equity firm, whose co-founders previously led KKR’s and, prior to that, Morgan Stanley’s private equity businesses in Asia and China, each of which had successful long-term track records across multiple economic cycles.
- (16) The general partner of NINGBO XIAOYAO EQUITY INVESTMENT PARTNERSHIP ENTERPRISE (LIMITED PARTNERSHIP) (寧波逍遙股權投資合夥企業(有限合伙)) (with fund size of approximately RMB665 million) is owned as to 55% by YIN Wei (尹巍), who is the beneficial owner of Chuang Ding Holding Limited, and as to 45% by Changxing Hongnuo Industrial Investment Co., Ltd. (長興弘諾實業投資有限公司), which owns all equity interest in the general partner of NINGBO BADOU EQUITY INVESTMENT PARTNERSHIP ENTERPRISE (LIMITED PARTNERSHIP) (寧波八斗股權投資合夥企業(有限合伙)) (with fund size of approximately RMB202 million).
- (17) Feel the Truth Limited is a company organized and existing under the laws of the BVI and wholly owned by Mr. GUO Changzhen, an employee of YUAN Inc and an Independent Third Party.
- (18) Kun Yu Holding Limited is a company organized and existing under the laws of the BVI and indirectly wholly owned by Trident Trust Company (HK) Limited.
- (19) X Adventure holds our Shares through X Adventure Fund I L.P. The general partner of X Adventure Fund I L.P. is X Adventure Management, L.P., whose general partner is X Adventure GP GP, Ltd. The sole director of X Adventure GP GP, Ltd. is Ms. YAN Xubin, an Independent Third Party, and is deemed to have investment voting power over the Shares held by X Adventure, which focuses on equity investment.
- (20) CMC Ape Holdings Limited is a Cayman Islands exempted company wholly-owned by CMC Ape, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands. The general partner of CMC Ape, L.P. is CMC Ape GP, L.P. Alpha Fibonacci Holdings Limited is a Cayman Islands exempted company wholly-owned by Alpha Plus Fund, L.P., an exempted limited partnership organized and existing under the laws of the Cayman Islands. The general partner of Alpha Plus Fund, L.P. is Alpha Plus Fund GP, Ltd. Each of CMC Ape GP, L.P. and Alpha Plus Fund GP, Ltd. is ultimately controlled by Mr. LI Ruigang (黎瑞剛), an Independent Third Party.
- (21) Novich International Investment Limited is a company organized and existing under the laws of the Cayman Islands and ultimately controlled by Ms. HONG Jinxu (洪錦秀), an Independent Third Party.
- (22) KIWI JOLLY LIMITED is a company organized and existing under the laws of the BVI and wholly owned by Ms. LIU Jing, an Independent Third Party.
- (23) 3W Global Fund is a company limited by shares incorporated under the laws of the Cayman Islands, managed by 3W Fund Management Limited (“3W Fund Management”) as its investment manager. 3W Fund Management is an investment management firm with expertise in equity investments. 3W Fund Management is licensed by the SFC to carry out Type 9 (asset management) regulated activity and mainly manages assets for institutional investors.
- (24) Blue Sky Frontier is a company organized and existing under the laws of the Cayman Islands and majority owned by PV Capital Master Fund Limited, a diversified investment fund domiciled in the Cayman Islands. Blue Sky Frontier II is a company organized and existing under the laws of the Cayman Islands and wholly owned by PV Capital Master Fund Limited.
- (25) Winning Eleven Pro Ltd is a company organized and existing under the laws of the BVI, and is owned as to 70% by Ms. CHEN Cuijian (陳翠蓮) and as to 30% by Ms. LU Hui (盧慧), each being an Independent Third Party.
- (26) Wisdom Choice Global Fund, L.P. is an exempted limited partnership organized and existing under the laws of the Cayman Islands, with fund size of approximately US\$700 million. The general partner of Wisdom Choice Global Fund, L.P. is Wisdom Choice Global Capital Limited, which is ultimately controlled by Mr. YE Shuhong (葉樹騷) and Mr. LI Jing (李璟), each being an Independent Third Party.
- (27) LUCK LEGEND INTERNATIONAL HOLDINGS LIMITED is a company organized and existing under the laws of the BVI and wholly owned by Mr. WU Yongming (吳泳銘), an Independent Third Party.
- (28) Each of Hundreds Golden Vision Fund L.P. and Hundreds ANTA Fund Limited Partnership is an exempted limited partnership organized and existing under the laws of the Cayman Islands. The general partner of Hundreds Golden Vision Fund L.P. and Hundreds ANTA Fund Limited Partnership is Hundreds Capital, with its asset under management of more than RMB10 billion.
- (29) Ocean Alliance IV, L.P. is an exempted limited partnership organized and existing under the laws of the Cayman Islands, with its fund size of approximately US\$50 million. The general partner of Ocean Alliance IV, L.P. is Ocean Alliance IV Company Limited, which is owned as to 50% by Mr. JIANG Tianyi (江天一) and as to 50% by Mr. ZHENG Nanyan (鄭南雁), each being an Independent Third Party.
- (30) Library Group Volume I is a company organized and existing under the laws of the Cayman Islands and wholly owned by Library Research Limited. Wen Yuan Ltd is a company organized and existing under the laws of the Cayman Islands and wholly owned by Fourth Century, LLC., which is controlled by Library Research Limited.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (31) Highbury Investment Pte Ltd is a limited company established in Singapore. It is 100% owned by GIC (Ventures) Pte Ltd and managed by GIC Special Investments Pte. Ltd. GIC Special Investments Pte. Ltd. is wholly-owned by GIC Private Limited. GIC Private Limited is a limited company established in Singapore, a global asset management company established in 1981 to manage the foreign reserves of Singapore as well as a sophisticated investor.
- (32) Dan Capital Taihang Limited Partnership is an exempted limited partnership organized and existing under the laws of the Cayman Islands, with its fund size of approximately US\$40 million. Dan Capital Wuyi L.P., being an Independent Third Party, is an exempted limited partnership organized and existing under the laws of the Cayman Islands, with its fund size of approximately US\$10 million. The general partner of Dan Capital Taihang Limited Partnership and Dan Capital Wuyi L.P. is Dan Capital Management Ltd.
- (33) BLUEMOUNTAIN NOBLE LIMITED is a company organized and existing under the laws of the BVI, and its controlling shareholder is Greenwoods Bloom Fund III, L.P., an exempted limited partnership registered in the Cayman Islands.
- (34) Trinityville Profit Limited is a company organized and existing under the laws of the BVI, and is wholly owned by Sunshine Spring Limited, which is ultimately controlled by Mr. YANG Haoyong (楊浩湧), an Independent Third Party.
- (35) Franchise Fund LP is an exempted limited partnership organized and existing under the laws of the Cayman Islands, with its fund size of approximately US\$900 million. The general partner of Franchise Fund LP is Franchise GP Limited, which is ultimately controlled by Mr. WANG Shihong (王世宏), an Independent Third Party.
- (36) Aranda Investments Pte. Ltd. is a company organized and existing under the laws of Singapore, and is an indirect wholly-owned subsidiary of Temasek Holdings (Private) Limited.
- (37) YF Crescent Moon Limited is a company organized and existing under the laws of the BVI, and is owned as to 60.00% by YF Crescent Moon Co-invest, L.P., as to 28.37% by Yunfeng Fund III, L.P., as to 11.43% by Yunfeng Fund III Parallel Fund, L.P. and as to 0.20% by Yunfeng Fund III Associate, L.P., and the general partner of each of the aforementioned four partnerships is ultimately controlled by Mr. YU Feng (虞鋒), an Independent Third Party.
- (38) Kevin Sunny Holding Limited is a company organized and existing under the laws of the BVI and wholly owned by Ms. WANG Huiwen (王慧文), an Independent Third Party.
- (39) Mr. LIN Bin is an Independent Third Party.
- (40) East Lake Asia Investments Limited is a company organized and existing under the laws of the BVI. The management shareholder of East Lake Asia Investments Limited is Huaxing Growth Capital Management, Ltd., which is ultimately owned by China Renaissance Holdings Limited, a company listed on the Stock Exchange (stock code: 1911).
- (41) United Strength Elegant Limited is a company organized and existing under the laws of the BVI and wholly owned by Expand Ocean Two Limited, which is ultimately controlled by Hony Capital.
- (42) 3W Global Investment Limited is a company organized and existing under the laws of the BVI and wholly owned by Mr. WU Weiwei, an Independent Third Party.
- (43) Welight Capital L.P. is an exempted limited partnership organized and existing under the laws of the Cayman Islands. The general partner of Welight Capital L.P. is Welight Capital Management Limited, which is ultimately controlled by Mr. WU Xiaoguang (吳宵光), an Independent Third Party.
- (44) Shenzhen Jinglin Jingying Equity Investment Fund (Limited Partnership) (深圳景林景盈股權投資基金合夥企業(有限合伙)) is a limited partnership organized and existing under the laws of the PRC, the general partner of which is Shenzhen Jinghui Equity Investment Management Partnership (Limited Partnership) (深圳景輝股權投資管理合夥企業(有限合伙)), which is in turn ultimately controlled by Mr. Jiang Jinzhi (蔣錦志), an Independent Third Party.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

Overview

After the completion of the Reorganization, the Company has independently raised approximately US\$389.4 million from a number of sophisticated investors (collectively, “Pre-IPO Investors”). See following introduction and “— Capitalization of the Company” for details.

Description and Principal Terms of the Pre-IPO Investments

Date of agreement	Date of Settlement	Total number of shares under the investment agreement ⁽¹⁾	Cost per share paid ⁽¹⁾	Total amount of consideration	Discount to the Offer Price ⁽²⁾	Post-money valuation of our Group after the investment ⁽³⁾	Shareholding in the Company upon the Listing ⁽⁴⁾
February 7, 2021	June 9, 2021	31,529,700 series B preferred shares with par value of US\$0.0001 each	US\$12.35	US\$389.4 million	0.97%	US\$3.0 billion	15.03%

(1) Prior to the Share Subdivision.

(2) The discount to the Offer Price is calculated based on the assumption that the Offer Price is HK\$9.70 per Share, being the mid-point of the indicative Offer Price range of HK\$9.50 to HK\$9.90 per Share.

(3) Based on the shares in issue immediately after the investment and taking into account the shares reserved under the Pre-IPO Share Option Scheme.

(4) Assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme.

Lock-up Period

Each of the Pre-IPO Investors is subject to a lock-up period of 180 days commencing on the date of this prospectus as required by the underwriters.

Use of Proceeds from the Pre-IPO Investments

As of the Latest Practicable Date, we had utilized approximately 80.7% of the proceeds from the pre-IPO investments for the development and operation of our business, including but not limited to personnel recruitment, new business and product development, technology infrastructure and general working capital needs.

Basis of determining the consideration paid

The consideration for the Pre-IPO investments were determined based on arm’s length negotiations between the Pre-IPO Investors and our Company, after taking into consideration, among others, the timing of the investments and the business performance and prospect of our Group.

Strategic benefits the Pre-IPO Investors brought to our Company

Our Directors are of the view that our Company would benefit from the additional capital provided by the Pre-IPO Investors’ investments in our Company and their knowledge and experience.

Special Rights of the Pre-IPO Investors

All of our Pre-IPO Investors are currently bound by the terms of the existing Articles, which will be replaced by our Articles effective upon completion of the Global Offering. Pursuant to our amended and restated shareholders agreement dated March 3, 2021 entered into, among others, by the Company and holders of the ordinary shares and preferred shares of the Company, the Pre-IPO Investors were granted certain special rights in relation to the Company, including, among others, rights of first refusal, rights of co-sale, redemption rights, information and inspection rights and pre-emptive rights. Such special rights will be suspended upon the submission of the listing application form by our Company to the Stock Exchange and/or will be terminated upon completion of the Listing, in compliance with Guidance Letter HKEX-GL43-12.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Information of Principal Pre-IPO Investors

The following sets forth information of the existing pre-IPO investors that are sophisticated investors, being private equity funds and investment companies, and that have made meaningful investments in our Company (each holding 1.17% or above of our total issued share capital immediately prior to the Global Offering).

Modish Century Limited

Modish Century Limited is a BVI business company and wholly owned by IDG Breyer Capital Fund L.P. which is ultimately controlled by Mr. Quan Zhou and Mr. Chi Sing Ho. See notes to the table under “— Capitalization of the Company” for details.

TBP Chalk Chalk Investment Holdings Limited

TBP Chalk Chalk Investment Holdings Limited is an exempted company incorporated under the laws of BVI and is controlled by Trustbridge Partners. Trustbridge Partners is a leading growth equity investor with offices in Shanghai, Hong Kong and Boston, focusing on high-quality growth opportunities in China, such as TMT, consumer and healthcare sectors.

CF Training Investment Limited

CF Training Investment Limited is wholly-owned by CPE Global Opportunities Fund II, L.P., an exempted limited partnership registered in the Cayman Islands, whose general partner is CPE GOF GP Limited, an entity established in the Cayman Islands wholly-owned by CPE Management International Limited, which in turn is wholly owned by CPE Management International II Limited. CPE Management International II Limited is owned by a number of shareholders that are natural persons none of whom controls CPE Management International II Limited.

Duckling Fund, L.P.

Duckling Fund, L.P. is a limited partnership incorporated in the Cayman Islands. The general partner of Duckling Fund is Grandiflora Hook GP Limited which is ultimately controlled by Mr. Eric Li, an Independent Third Party of the Company. The sole limited partner of Duckling Fund is Lionet Fund, L.P., which is a fund focusing on logistics, healthcare, telecommunication, media, technology and consumer industries investment. The general partner of Lionet Fund, L.P. is Grandiflora Hook GP Limited.

Tipping Point Limited

Tipping Point Limited is a company incorporated in the Cayman Islands, which is ultimately owned by DCP Capital Partners, L.P., a Cayman Islands exempted limited partnership. DCP General Partner, Ltd., a Cayman Islands exempted company, is the general partner of DCP Capital Partners, L.P. DCP General Partner, Ltd. is controlled by DCP, a leading Greater China-focused private equity firm. See notes to the table under “— Capitalization of the Company” for details.

Merchant Skill Limited

Merchant Skill Limited is a BVI business company and wholly owned by Shang Hai Jin Zhi Enterprise Management Consulting Partnership (Limited Partnership) (上海瑾芝企業管理諮詢合夥企業(有限合夥)), the sole general partner of which is Tibet Yu Chi Venture Capital Management Co. Ltd (西藏昱馳創業投資管理有限公司), a limited liability company established in the PRC and controlled by Jingbo Wang, Kuiguang Niu and Fei Yang, all of whom are IDG Capital partners. See notes to the table under “— Capitalization of the Company” for details.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Public Float

Upon completion of the Global Offering, save for the Shares held by (i) Chalk Sky Ltd, Chalk Star Ltd, Chalk World Ltd, Chalk Wonder Ltd, Liang Ma Limited, Mr. LI Xin, Green Creek Holding Limited and Taurus Fund L.P., each being a Controlling Shareholder, (ii) Tencent Shareholders, including Morespark Limited, Tencent Mobility Limited, Triple Max Holding Limited, TPP Opportunity I Holding C Limited, and TPP Fund II Holding C Limited, collectively holding approximately 14.00% of our issued share capital immediately upon completion of the Global Offering (assuming Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme), and (iii) IDG USD Fund Shareholders and IDG RMB Fund Shareholder, including IDG-Accel China Growth Fund III L.P., IDG-Accel China III Investors L.P., Modish Century Limited, Spring Moment Limited, EVEN CLASSIC LIMITED, and Merchant Skill Limited, collectively holding approximately 11.83% of our issued share capital immediately upon completion of the Global Offering (assuming Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme), all the Shares held by the Pre-IPO Investors and other Shareholders will count towards part of the public float.

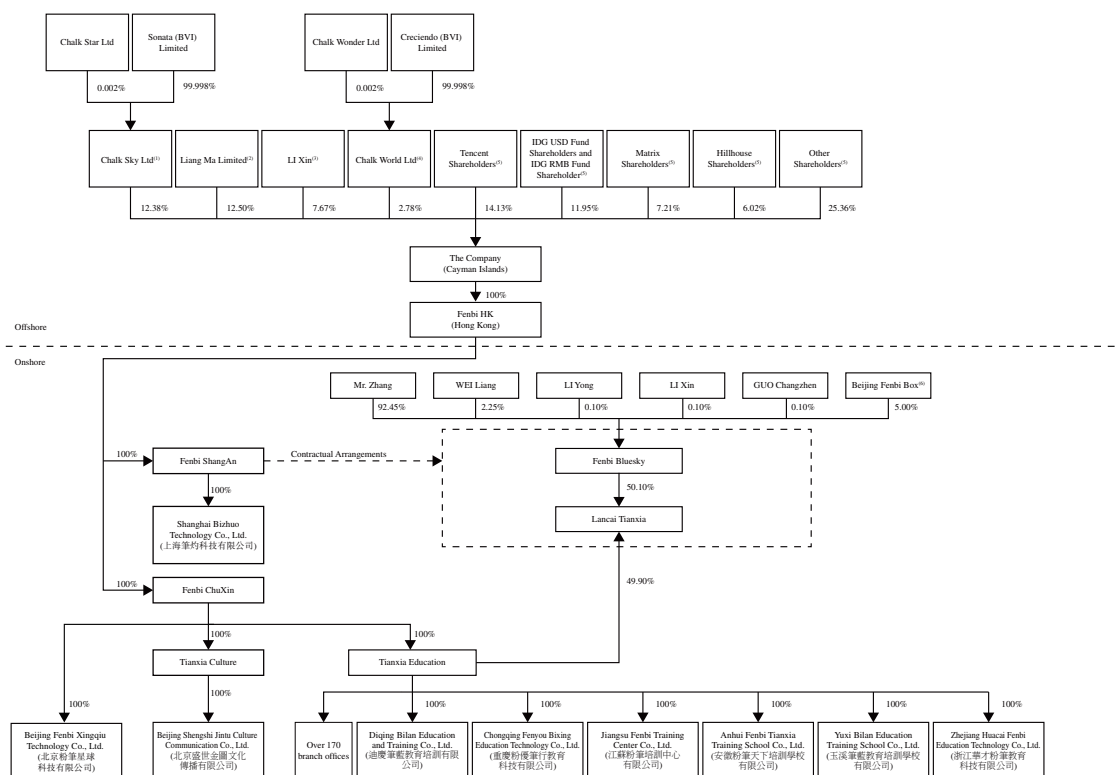
Compliance with Guidance Letters

The Joint Sponsors confirm that the pre-IPO investments are in compliance with Guidance Letter HKEX-GL29-12 issued in January 2012 and updated in March 2017 by the Stock Exchange, Guidance Letter HKEX-GL43-12 issued in October 2012 and updated in July 2013 and in March 2017 by the Stock Exchange and Guidance Letter HKEX-GL44-12 issued in October 2012 and updated in March 2017 by the Stock Exchange.

CORPORATE STRUCTURE

Corporate Structure before the Global Offering

The following chart sets forth the shareholding structure of our Group as of the Latest Practicable Date and immediately after the Reorganization but prior to the completion of the Global Offering (without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme):

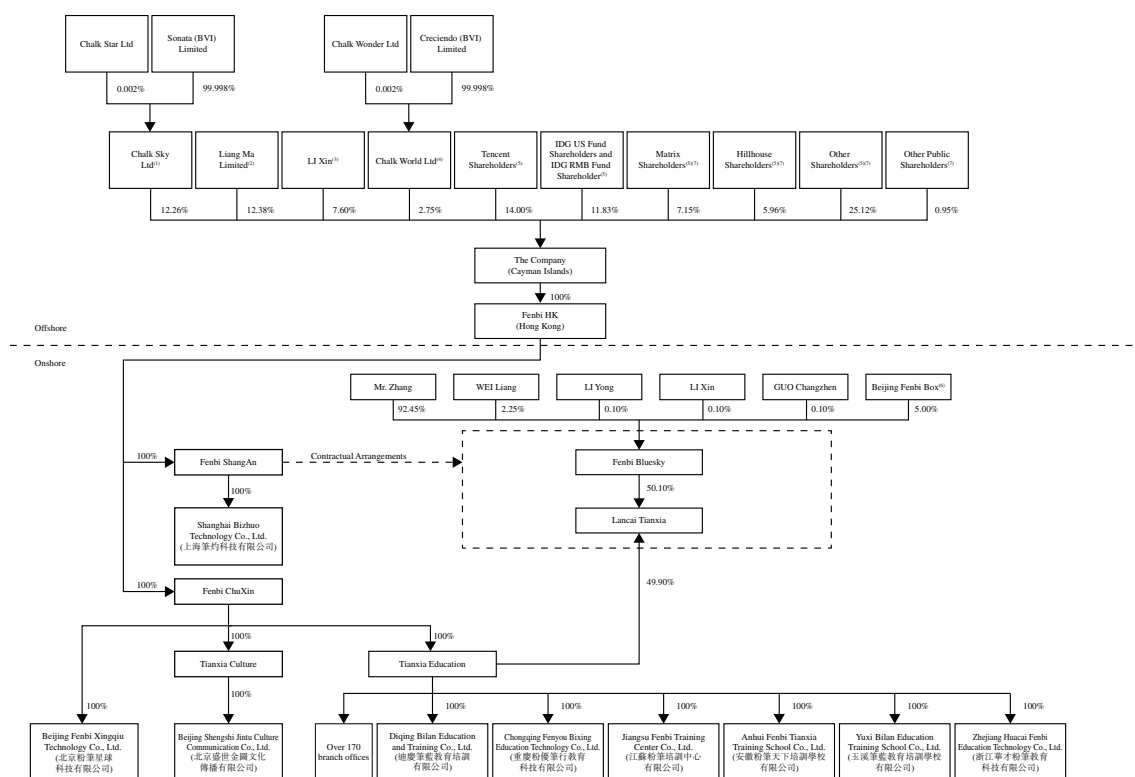


HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- (1) Chalk Sky Ltd is owned as to (a) 99.998% by Sonata (BVI) Limited, which is wholly owned by Ocorian Trust Company, the trustee of ZXI Family Trust with Mr. ZHANG Xiaolong as the settlor and protector, and (b) 0.002% by Chalk Star Ltd, which is wholly owned by Mr. ZHANG Xiaolong, our chairman of the Board, executive Director, chief executive officer and one of our Controlling Shareholders.
- (2) Liang Ma Limited is wholly-owned by Mr. LI Yong, our non-executive Director and one of our Controlling Shareholders.
- (3) Mr. LI Xin, our non-executive Director and one of our Controlling Shareholders, owns the Shares directly as well as through Green Creek Holding Limited and Taurus Fund L.P.
- (4) Chalk World Ltd is owned as to (a) 99.998% by Creciendo (BVI) Limited, which is wholly owned by Ocorian Trust Company, the trustee of WL Family Trust with Mr. WEI Liang as the settlor and protector, and (b) 0.002% by Chalk Wonder Ltd, which is wholly owned by Mr. WEI Liang, our executive Director, president, chief technology officer and one of our Controlling Shareholders.
- (5) See “— Capitalization of the Company” for details.
- (6) Beijing Fenbi Box is owned as to 95.0% by Mr. Zhang as the general partner and as to 5.0% by Mr. WEI Liang as the limited partner. Mr. Zhang is the general partner of Beijing Fenbi Box and thus deemed to be interested in the entire interests held by Beijing Fenbi Box.

Corporate Structure immediately following the Global Offering

The following charts set forth the shareholding structure of our Group immediately after the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme):



- (1) to (6): Please refer to the corresponding notes to the corporate structure of the Company in “— Corporate Structure — Corporate Structure before the Global Offering.”
- (7) Shares held by the Shareholders will count towards the public float for the purpose of Rule 8.08 of the Listing Rules. The expected public float immediately following completion of the Global Offering is 39.2% (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme). Accordingly, Company will be able to satisfy the minimum public float requirements prescribed under Rule 8.08(1)(a) of the Listing Rules upon Listing as the number of Shares to be held by the public is expected to represent more than 25% of the total number of issued Shares of the Company.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REGULATORY REQUIREMENTS OF CHINA

According to the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the “M&A Rules”) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAIC and SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for the listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the Listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisors are of the opinion that approvals from the CSRC for the Listing is not required under the M&A Rules because (i) our wholly foreign-owned PRC subsidiaries were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, (ii) Fenbi ChuXin acquired all equity interest in Tianxia Culture and Tianxia Education, respectively, after Tianxia Culture and Tianxia Education had been owned as to 2% by a foreign investor and converted into a foreign-invested enterprise, and thus, the each of the aforementioned acquisitions is an equity transfer in a foreign-invested enterprise, and the M&A Rules are not applicable to such acquisition; and (iii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules.

SAFE REGISTRATION IN CHINA

Pursuant to the Circular of SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “SAFE Circular 37”), issued by SAFE and effective on July 4, 2014, (i) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “Overseas SPV”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among others, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. 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 restricted from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiaries. 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.

Pursuant to the Circular of SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “SAFE Circular 13”), issued by SAFE and effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Advisors, all PRC residents as defined under the applicable provisions under SAFE Circular 37 who are the shareholders of the Overseas SPVs in our Group have completed the required initial foreign exchange registration under SAFE Circular 37.

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OVERVIEW

We are a non-formal vocational education and training (“VET”) service provider in China, dedicated to making high-quality non-formal VET services accessible through technology and innovation. As a leading career test preparation service provider in China, we provide a comprehensive suite of recruitment and qualification examination tutoring courses for adult students pursuing careers in government-sponsored institutions and a number of professions and industries. We help college graduates excel in the competitive selection process administered by governmental institutions, and help professionals obtain the relevant qualifications. Most importantly, we help our students advance their personal development and fulfill their own potentials. Leveraging our high-quality tutoring services, comprehensive course offerings and student-centric teaching philosophy, we have successfully established “Fenbi” amid the most recognized brands in China’s career test preparation industry.

VET can improve a job-seeker’s chances of securing his or her intended jobs as competition in China’s job market has become increasingly intensified in recent years. In 2021, there were 10.8 million graduates of higher education in China, according to the F&S Report. As such, an increasing number of job-seekers seek to improve their competitiveness and increase their chances of attaining preferred job positions through high-quality career test preparation services. Moreover, recent favorable governmental policies, such as the Opinions on Promoting the High-quality Development of Modern Vocational Education and Training (關於推動現代職業教育高質量發展的意見) jointly released by the General Office of the CPC Central Committee and the General Office of the State Council, aim to facilitate the orderly development of China’s VET industry. According to the F&S Report, China’s non-formal VET industry, in terms of revenue, is expected to increase from RMB221.5 billion in 2021 to RMB331.7 billion in 2026 at a CAGR of 8.4%. We believe we are well-positioned to capture the enormous market opportunities with our early-mover advantage, robust business model, strong operation capability, and dedication to innovation.

We launched the first comprehensive online tutoring mobile app for recruitment examination tutoring in December 2013, according to the F&S Report. We introduced the first comprehensive online question bank in 2015, which has gained widespread popularity among candidates for various examinations, allowing us to attract significant user traffic. We have also developed high-quality online tutoring courses in live or pre-recorded format, supplemented by online self-learning materials and toolkits, which allowed us to quickly establish our online presence and build a trusted brand image among our users. Furthermore, we launched our offline classroom-based tutoring on a large-scale basis in May 2020 to expand our addressable market and serve a broader student base by accommodating their diversified learning habits. Leveraging our large user base and strong reputation accumulated from our online business, we are able to identify and convert users with offline education needs to offline enrollments, which allows us to expand our offline operations rapidly and cost-effectively. Approximately 67.5% of all students who paid for our offline courses in 2021 were converted from students who had previously paid for our online offerings, and since their purchase of our offline courses and up to June 30, 2022, approximately 71.0% of such converted students had continued to pay for our online offerings. We have also established a centralized operational system to ensure online-merge-offline (“OMO”) synergy and operational efficiency. As of June 30, 2022, our online platform had accumulated approximately 43.2 million registered users and 49.3 million online paid enrollments, and we had established an extensive offline network of local operational hubs covering over 220 cities across 31 provinces, autonomous regions and municipalities in China, with over 1.9 million offline paid enrollments.

We offer effective learning experience and outcomes, which rests on our high-caliber teaching staff and systematic content development mechanism. We had a devoted team of 3,796 instructors as of June 30, 2022, substantially all of whom had a bachelor’s degree or above. Our instructors are capable of hosting high-quality live lectures for over 100,000 students in one class. Firsthand teaching experience is also critical for our high-quality content development as it allows us to react to the evolving market demands and the differentiated learning patterns. We have developed substantially all the content on our platform in-house, and most of our content development specialists routinely

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participate in frontline teaching activities. As a result, we are able to formulate well-designed curricula and learning materials to facilitate an effective learning experience for students. Furthermore, the abundant teaching experience of our content development team, combined with our robust big data analytics, forms a solid foundation for us to continuously refine our course materials and teaching techniques.

Technological innovation underpins our success and strong brand name. We believe we have prompted the intelligent development of China's career test preparation industry. According to the F&S Report, we adopted many innovations at a relatively earlier time in the recruitment examination tutoring industry, including the launch of a comprehensive online training mobile app in December 2013; the provision of systematic civil servants examinations tutoring services through online channels in September 2014; the in-house development of an RTC video system in December 2014; the launch of a comprehensive online question bank in June 2015; and the adoption of multiple advanced technology applications, such as the grade prediction, the automated essay grading, the large-scale online mock examination system, the intelligent content recommendation and the photo-based question search engine with a full subject coverage.

The total paid enrollments of our tutoring courses and online products increased from 6.0 million in 2019 to 9.6 million in 2020 and further to 9.8 million in 2021. We had total paid enrollments of our tutoring courses and online products of 4.1 million in the six months ended June 30, 2022. The paid enrollments of our formal courses increased from 1.4 million in 2019 to 1.8 million in 2020 and further to 2.6 million in 2021. We had total paid enrollments of our formal courses of 1.2 million in the six months ended June 30, 2022. During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. Our revenue increased by 83.7% from RMB1,160.3 million in 2019 to RMB2,132.1 million in 2020, and further increased by 60.8% to RMB3,428.6 million in 2021. We generated revenue of RMB1,451.0 million in the six months ended June 30, 2022. We recorded net profit of RMB154.1 million in 2019, and net loss of RMB484.5 million and RMB2,046.0 million in 2020 and 2021, respectively, primarily due to the rapid expansion of our classroom-based tutoring business that had not yielded the expected results. We incurred substantial cost of sales and operating expenses to expand our course product offerings and coverage of examination subjects, as well as to support the launch of our classroom-based tutoring on a large-scale basis in May 2020. We recorded net loss of RMB391.8 million in the six months ended June 30, 2022, primarily because we optimized the structure of our employee team to effectively manage our growth and improve our profitability. We recorded adjusted net profit (non-IFRS measure) of RMB175.2 million in 2019, adjusted net loss (non-IFRS measure) of RMB362.8 million and RMB822.4 million in 2020 and 2021, respectively, and adjusted net profit (non-IFRS measure) of RMB95.6 million in the six months ended June 30, 2022. See "Financial Information — Non-IFRS Measure" for a reconciliation of our profit/loss for the year/period to adjusted net profit/loss (non-IFRS measure).

COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors.

Leading career test preparation service provider in China with trusted brand

We are a non-formal VET service provider in China, dedicated to making high-quality VET services accessible through technology and innovation. We ranked No. 2 in China's career test preparation industry with a 4.3% market share in terms of revenue in 2021, according to the F&S Report. We primarily offer a comprehensive suite of recruitment and qualification examination preparation courses for adult students pursuing careers in government-sponsored institutions and a number of professions and industries, such as teaching, healthcare, accounting, construction and law, aiming to help them excel amid the intensified competition in China's job market.

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Since our inception, we have been leading the intelligent development of China's career test preparation industry and staying abreast of the evolving market demands. We launched China's first comprehensive online tutoring mobile app for recruitment examination tutoring in December 2013, according to the F&S Report, and have continued to upgrade our online tutoring services through innovative technology infrastructure and applications. We have also had a proven track record of prompting innovative products and services in the industry. Furthermore, leveraging our large user base and strong reputation from our online operations, we became the first internet-born recruitment examination service provider in China that successfully achieved rapid offline expansion driven by OMO synergy, according to the same source.

We believe that we have successfully established "Fenbi" as a trusted brand in China's career test preparation industry. According to the F&S Survey, we had a leading overall satisfaction rating among all major recruitment examination service providers. We have also received a number of credible accolades in recognition of our brand image. For example, in 2019, we were named as the "Influential Online Education Institution Brand Annual Award" (年度品牌影響力在線教育機構) by Xinhuanet (新華網), one of the largest and most influential media outlets in China. In 2020, we were recognized as one of the "Top 10 Education Brands of the Year" (教育十大年度品牌) by Beijing Evening Post (北京晚報), the official newspaper of Beijing municipality. We believe our strong brand awareness has allowed us to incur lower customer acquisition costs compared to our major competitors, especially through word-of-mouth referrals by existing students who share their learning experiences and examination results with others. As evidenced by the F&S Survey, among the survey participants who purchased our services and products, 47.5% of them were recommended by their classmates and friends, and 93.6% of them would recommend our products and services to other people. As a result, we recorded selling and marketing expenses per paid enrollment of approximately RMB72.0 in 2021, as compared to that of over hundreds of Renminbi of these competitors.

As a result of our market leadership and brand value, we achieved significant growth during the Track Record Period. The total paid enrollments of our tutoring courses and online products increased from 6.0 million in 2019 to 9.6 million in 2020 and further to 9.8 million in 2021. We had total paid enrollments of our tutoring courses and online products of 4.1 million in the six months ended June 30, 2022. The paid enrollments of our formal courses increased from 1.4 million in 2019 to 1.8 million in 2020 and further to 2.6 million in 2021. We had total paid enrollments of our formal courses of 1.2 million in the six months ended June 30, 2022. During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. Our revenue increased by 83.7% from RMB1,160.3 million in 2019 to RMB2,132.1 million in 2020, and further increased by 60.8% to RMB3,428.6 million in 2021. We generated revenue of RMB1,451.0 million in the six months ended June 30, 2022. We recorded net profit of RMB154.1 million in 2019, and net loss of RMB484.5 million, RMB2,046.0 million and RMB391.8 million in 2020, 2021 and the six months ended June 30, 2022, respectively.

Leading online platform for career test preparation with a massive user base

Leveraging the first comprehensive online question bank in China's recruitment examination tutoring industry, we have rapidly gained popularity among users and attracted significant user traffic. We have developed quality courses and rich learning toolkits to further strengthen our rapport with users. We provide a comprehensive suite of online career test preparation courses to better cater to the needs of adult students, thereby gaining market shares. Our course offerings cover all major career test subjects, including civil servants examinations, public institution employees examinations, teacher qualification and recruitment examinations, and a variety of popular certification and qualification examinations. For each subject, we offer multiple course types to accommodate diversified learning needs and focuses, flexible learning times and differentiated price sensitivity. For example, we launched our flagship online systematic civil servants examinations tutoring course in September 2014, being the first of the kind in China, according to the F&S Report, and subsequently developed additional online

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systematic courses for other examinations. We also launched online premium courses in June 2020 for students who require more individual attention and targeted supports but are unable to attend full-time offline courses, through which we captured the market opportunity from the underserved student needs.

We deliver online courses in live or pre-recorded format, or a combination of both, through our Fenbi online platform. Leveraging our industry-leading RTC video system, our students nationwide can access interactive live streaming courses delivered by otherwise scarce top-notch teaching talents with flexibility in terms of timing and location. In addition, we supplement our course offerings with online self-learning materials and toolkits, such as online mock examinations, online question bank, and the photo-based question search engine for answers to examination questions. In addition, we provide value-added services for students in need of more individual attention and targeted support. For example, we have formulated a well-designed learning roadmap with various targeted services for students subscribing to our premium courses, where we guide students through their after-class exercises, monitor the progress of their learning plans, and provide them with one-on-one detailed analyses and suggestions for future improvement. We believe that such comprehensive product and service offerings enable adult students to execute their learning plans at their own pace and effectively achieve desired learning outcomes.

We believe we have become the “go-to” platform in China’s online career test preparation industry leveraging our robust product development capability and the effective learning experience we foster. As of June 30, 2022, our online platform had accumulated approximately 43.2 million registered users. We had paying users for our online tutoring services of approximately 2.1 million, 3.1 million, 3.8 million, 2.4 million and 2.0 million in 2019, 2020, 2021 and the six months end June 30, 2021 and 2022, respectively, and paying users for our classroom-based tutoring services of approximately 54,000, 0.4 million, 0.5 million, 0.4 million and 0.1 million in the same periods, respectively. The average revenue per paying user for our online tutoring services was approximately RMB311, RMB315, RMB372, RMB284 and RMB351 in 2019, 2020, 2021 and the six months end June 30, 2021 and 2022, respectively, and the average revenue per paying user for our classroom-based tutoring services was approximately RMB6,523, RMB2,261, RMB3,353, RMB2,723 and RMB3,662 in the same periods, respectively. Our average MAUs increased from approximately 2.9 million in 2019 to approximately 4.7 million in 2020, to approximately 6.5 million in 2021, and further to approximately 7.5 million in six months ended June 30, 2022, far exceeding the size of all other market players, according to the F&S Report. In addition, according to the F&S Survey, 58.7% of the survey participants who were acquainted with all major recruitment examination service providers named Fenbi as their first choice.

Scalable and synergistic business model featuring highly innovative OMO integration

We operate a scalable business benefiting from our solid online presence and the significant synergies achieved through an innovative OMO model. According to the F&S Report, we are the first internet-born recruitment examination tutoring service provider that integrated offline resources and achieved economies of scale in omni-channels to create unique competitive advantages.

Leveraging our robust online platform, we have built a trusted brand image and formed deep rapport with our users. Rather than conduct large-scale advertising campaigns, we can identify and convert users with offline education needs to offline enrollments in a cost-effective manner. In 2021, approximately 67.5% of all students who paid for our offline courses were converted from students who had previously paid for our online offerings. Since we launched our offline course offerings on a large-scale basis in May 2020 and up to June 30, 2022, our offline operations had contributed approximately 1.7 million paid enrollments. As of June 30, 2022, we had established an extensive offline network of local operational hubs covering over 220 cities across 31 provinces, autonomous regions and municipalities in China. We believe that such a rapid growth path can be difficult for other market players who originated from an offline business to replicate. Moreover, leveraging our robust data analytics, we are able to make more informed execution decisions to guide our offline expansion.

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Capitalizing on the offline expansion, we have expanded our tutoring services by fulfilling the diversified learning needs from prospective students with more learning options. While students converted from online offerings can have their specific learning needs fulfilled through classroom-based tutoring courses, our offline staff could also recommend suitable online courses, products and toolkits to these offline students, such as our question bank and online mock examination system. Moreover, as an internet-born company, we have established a centralized system to manage and oversee various aspects of our operations, both online and offline, including student administration, teaching staff evaluation and financial management, which enables us to maintain operational efficiency and service quality during rapid business expansion. All of these have driven, and will continue to drive, our OMO synergy to form a virtuous cycle.

Effective learning experience rooted in strong content development capability and high-caliber teaching staff

We provide well-designed curricula and learning materials to facilitate an effective learning experience for students. We have developed strong content development capability, with a systematic and centralized content development approach. Supported by a content development team of 249 specialists as of June 30, 2022, we have developed substantially all content on our platform in-house, including course curricula and teaching materials. We believe that staying abreast of the evolving market demands and the differentiated learning patterns through firsthand teaching experience is critical for high-quality content development. As such, most of our content development specialists routinely participate in frontline teaching activities to ensure that they can promptly adapt curricula and teaching materials to the prevailing market trends and student needs. Our seasoned content development specialists also closely monitor and deliberate on the latest development for recruitment and qualification examinations and job market demands to ensure that all contents on our platform are relevant and up to date. Our offline instructors then customize the content to better reflect local test and admission standards and address local market demands.

We are committed to delivering the best learning experience to students with an emphasis on the recruitment, training and retention of high-caliber teaching staff. We had a devoted team of 3,796 instructors as of June 30, 2022, substantially all of whom had a bachelor's degree or above. We implement a highly selective instructor hiring process to ensure that the new hires possess the academic and communication skills commensurate with our required expertise and techniques. Through our recruitment and evaluation processes, including a probation period, we seek to retain instructors who have strong academic credentials, a passion for the VET industry, strong communication skills, and demonstrated proficiency in employing innovative and effective teaching methods. We generally require newly hired teaching staff to undergo systematic onboarding training sessions, covering multiple modules ranging from professional knowledge, teaching methods and skills, to trial classes. We also frequently organize seminars hosted by our top-rated instructors to provide on-the-job training covering various test subjects, new curricula and teaching materials. Moreover, we provide our instructors with competitive compensation packages, taking into account their performance assessment based on our comprehensive evaluation and promotion mechanisms.

We believe that the effective learning experience we offer to our students could translate into sought-after learning outcomes and customer satisfaction. According to the F&S Survey, we received leading ratings in teaching quality, course quality and curriculum setting among all major recruitment examination service providers.

Operational excellence empowered by technologies and data analytics

Technological innovation underpins our capability to continuously make breakthroughs in the career test preparation industry, which has created entry barriers and sustained our long-term success. We launched the first comprehensive online tutoring mobile app in China's recruitment examination

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tutoring industry and has since led the intelligent development of the industry by prompting various technological innovations, such as China's first comprehensive online question bank and first large-scale online mock examination system for recruitment examinations, according to the F&S Report.

We have applied advanced technologies and data analytics to major aspects of our operations, such as service delivery, customer acquisition and resource allocation. For example, we have developed an RTC video system as the cornerstone of our online platform, which have rendered us the first mover to provide online recruitment examination preparation courses and revamp the teaching mode which were traditionally classroom-based. The system delivers a high-resolution, low-latency content transmission experience, which ensures stable and smooth delivery of tutoring products and services even in remote areas with weak network connections. Built upon our industry-leading technology and cloud architecture, the system can support live large-class courses with a latency below 500 milliseconds for over 100,000 students in one class. Our RTC video system also supports innovative use cases, such as mock interviews and interactive dual-teacher courses, each staffed with one instructor and multiple tutors.

In addition, we have gathered a wealth of data points concerning course subjects, teaching performance, learning behavior and preferences, and learning patterns and outcomes. For example, with a total of approximately 2.3 million questions, our question bank had supported approximately 1.9 billion online exercises on an aggregate of over 30.9 billion questions practiced as of June 30, 2022. We analyze these data, in strict compliance with our data privacy policies, to continuously optimize our algorithms. These data-driven insights also form a critical foundation for us to provide individualized feedback and content recommendation, refine our course materials and teaching techniques, optimize our toolkits, improve on-going teacher training, and enhance user engagement on our platform. For example, we launched the "challenge exercise" product with our established online question bank and robust AI and data analytics capabilities, which allows us to further accumulate users in a cost-effective manner. Leveraging robust text recognition, natural language processing and deep learning technologies, we have developed an automated essay grading system which grades essay questions with precision and assesses a student's knowledge base and eloquence to provide suggestions for future improvement. We can also track a student's learning behavior and outcomes and recommend supplemental exercises based on an in-depth analysis of areas for improvement and the identification of the commonalities among wrong answers to questions in terms of difficulty levels. In addition, our online mock examination system can automatically generate scores and percentile ranking for each participant within one minute following the completion of the mock examination, allowing the participant to discern his or her progress and improvement and formulate targeted learning strategies. Furthermore, our photo-based question search engine, which is empowered by our strong OCR technology, allows students to use photographs of printed texts, or even cursive handwriting, complicated mathematical formula and geometric patterns to locate answers in our comprehensive question bank.

Seasoned management team

We have benefited from the leadership of a seasoned management team with industry insights and passion. Their foresight and sagacity, in-depth industry expertise, extensive managerial and operational experience, and long-term focus and commitment underpin our current accomplishment and future direction.

Mr. ZHANG Xiaolong, our co-founder, chairman and chief executive officer, has over a decade of experience in teaching and school operations, which contributed to his strategic visions on content development, course delivery and business operations. Mr. WEI Liang, our co-founder, director and chief technology officer, served multiple positions in leading internet and technology companies, such as Sony Mobile China, Kaixin.com and Tencent, where he accumulated approximately 15 years of experience in technological innovations and development. Having envisioned the market potential of the online career test preparation industry, our co-founders are devoted to transforming career test

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preparation services with technological innovation and making high-quality tutoring resources more widely available. They have participated in all major milestones of our corporate development and led us to evolve into an industry leader.

Other members of our senior management team have an average of more than 10 years of complementary experience from serving in leading enterprises across VET, internet technology and finance sectors. Their enthusiasm towards the education industry, collective experience and strong execution capability enable us to formulate and implement business strategies, overcome challenges and achieve long-term value creation.

Under the leadership of our management team, we have developed a people-oriented corporate culture. We value fairness and supportiveness and respect individual thoughts and contributions. We foster persistence, responsibility and accountability, a spirit of service, and collaboration and innovation. We believe that our corporate culture can buttress our ability to better create value for our students and empower them to reach their full potential.

GROWTH STRATEGIES

We intend to pursue the following strategies to further grow our business and maintain our market leadership.

Continue to strengthen our reputation by enhancing teaching and service quality

We are committed to excellence in all aspects of our tutoring services. We will continue to hold ourselves to a high-quality standard in helping students achieve their career goals, which in turn will strengthen our reputation, solidify our brand value and drive continuous word-of-mouth referrals.

We plan to systematically refine our curricula and teaching methods, increase our content development capability and, ultimately, improve the quality of our tutoring services. To that end, we will continue to update and upgrade existing courses based on the feedback of our students and teaching staff, as well as our in-house research on the evolving requirements of various examinations. We also plan to optimize our knowledge management system and modularized content development approach. Furthermore, we will continue to place a strong emphasis on recruiting, training and retaining teaching talents. Following the alleviation of the COVID-19 pandemic, we will recruit and cultivate additional high-quality instructors specialized in conducting classroom-based tutoring and adopting advanced tutoring technologies to accommodate our continued business growth. We also plan to further strengthen our internal capability to systematically discover and nurture high-caliber teaching staff to ensure consistent and high-quality teaching standards.

In addition to course offerings, we will continue to raise our service quality and improve student experience. For example, we intend to further improve our teaching staff's efficiency in providing targeted support with data-driven insights and advanced technologies, including continuously refining our internal knowledge base by incorporating more information on course materials, industry updates and knowhow. We also plan to optimize and develop attractive new features and intelligent toolkits for our online platform to further encourage student engagement and facilitate effective learning.

Enrich course offerings and explore innovative course delivery modes

We plan to further expand the coverage of our course offerings and explore innovative course delivery modes in response to evolving industry trends and diverse learning needs. By doing so, we will reach more prospective students, capture their aspirations for career advancement, and build a solid foundation for our sustainable development.

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We plan to develop high-quality courses that are complementary to our existing product portfolio. We intend to cover recruitment and qualification examinations for more local government-sponsored positions, such as those at the county-level, leveraging our existing course research results on the national and provincial level and local insights. In addition to career test preparation courses, we also intend to develop vocational skill training courses in high demand and with significant growth potential. For example, we currently plan to launch online information technology courses and online and classroom-based culinary art courses. We believe that information technology tutoring shares the same student base as the recruitment examination tutoring as they both target the adult students with higher education background and aspiration to achieve a white-collar level compensation and social status. As such, we can leverage the cross-selling potential from our massive user base. In addition, as people are increasingly pursuing healthy diet with improving living standards, we plan to provide advanced culinary art courses featuring know-how of nutritional science and weight control via a dietary approach, which requires stronger academic ability and more diversified knowledge than training of traditional culinary art. We believe that our vocational skill training courses will allow us to appeal to a broader student base and add more value to the skills of our students, differentiating them in the job market for greater earning power. We may also explore the opportunities in providing on-the-job vocational training for enterprise customers and continuing training for holders of certain professional certifications. We have expanded, and will continue to develop, our course offerings beyond the non-formal VET market, including the graduate school entrance examination preparation courses and the CET 4/6 preparation courses, to capture cross-selling and up-selling opportunities among our broad student base. By doing so, we aim to establish a comprehensive learning platform along the entire career development path of our students.

Additionally, we plan to offer modular courses and flexible course packages to better equip students with varying levels of knowledge. For example, students may stack a certain number of modular courses on specific topics based on their proficiency, personal learning plans and spending power. We may also offer our students the flexibility to access any one or combination of our product and service offerings, inclusive of online and offline offerings, through an “a la carte” package, which we believe will attract adult students with a full-time job and limited free time. We believe that such innovation in course delivery modes will enable us to prevail on the quality and differentiation of the learning experience we foster to serve their multifaceted needs and stimulate their spending on our platform.

Strengthen our technologies and data analytics capability

We plan to continue to invest in R&D initiatives and utilize the power of advanced technologies and data analytics to better serve our students and stay ahead of the competition.

We will continue to advance our in-house developed RTC video system to further improve the quality of our course delivery and the learning experience to our students. Specifically, we plan to refine the audio and video streaming technologies underlying our RTC system to deliver more stable and immersive online learning experience. We also plan to invest in the system infrastructure to augment its capacity and enable more interactive features. For example, we will expand the capacity of our online mock examination system to serve more participants simultaneously.

Additionally, we plan to provide students with more targeted services and optimize our operational efficiency. To that end, we intend to optimize and expand the application of our integrated data platform by continuously refining our data analytics and AI technologies based on the vast data points we accumulated. We will continue to refine the existing features and tools of our platform. For example, we intend to further enhance the precision and accuracy of our automated essay grading system by strengthening our text recognition and natural language processing technologies. We also expect to introduce new and interactive online learning tools to enhance our operational efficiency. For example, we intend to develop voice recognition technology to automate the interview test grading process with emotional intelligence, which could discharge our instructors from monotonous tasks and redirect their attention to substantive tutoring services. Moreover, we intend to further leverage

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data-driven insights into market trends and student preferences to guide our marketing initiatives, in particular in connection with our offline operations, thereby generating paid enrollments in a cost-effective and asset-light manner. For example, we strive to predict offline tutoring needs based on data-driven analysis of student activity on our online platform, such as time spent and online inquiries made regarding course schedules, and set up a “concierge counter” in strategic localities to promote our offline courses and direct prospective students to our nearby existing operational hubs. We also plan to develop technology-enhanced smart classrooms to streamline our offline operations, such as student administration, profile management and after-class supervision.

Furthermore, we plan to explore the application of virtual reality and augmented reality technologies to create immersive learning experiences that are fun and engaging for our students. We also intend to further integrate our existing smart devices to the course delivery process to improve student learning experience and drive student engagement.

To achieve the foregoing goals, we intend to recruit top-notch industry talents, including industry-leading researchers and engineers, as well as graduates from top institutions. We will also continue to invest in our technology infrastructure to accommodate the rapid expansion of our business.

Pursue strategic alliances, investments and acquisitions

We intend to selectively pursue strategic alliance, investment and acquisition opportunities to further strengthen our competitiveness and explore the upside potential of China’s non-formal VET market. We will evaluate and execute alliance, investment and acquisition opportunities that complement and scale up our business, optimize our profitability, help us penetrate adjacent sectors of China’s non-formal VET market, and add new capabilities to our platform. For example, we may consider investment in or acquisition of non-formal VET service providers whose course offerings would enable us to gain access to new sectors and content to further drive our secular growth strategy. As of the Latest Practicable Date, we had not identified any specific target for acquisition or investment.

OUR BUSINESS MODEL

We have followed an integrated approach to develop a comprehensive portfolio of career test preparation products and services that generate significant synergies. Our Fenbi online platform has gained widespread popularity among users interested in preparing for various examinations and attracted significant user traffic with our online learning toolkits, such as the online mock examination system and the online question bank. We subsequently launched various value-for-money online learning products, such as the membership package and the “challenge exercise” product, to cement our rapport with users and increase their engagement on our platform. These feature-rich online learning toolkits and learning products, coupled with the promotional courses delivered by our high-caliber instructors, have allowed us to cost-effectively build a broad student base. By delivering effective learning experience and outcomes, we are able to direct users with more comprehensive learning needs to our formal career test preparation courses.

We launched our offline course offerings on a large-scale basis in May 2020 to expand our tutoring services. With a broad user base accumulated through our Fenbi online platform, we can channel prospective students with offline learning needs to our comprehensive offline courses to diversify revenue streams and facilitate overall business growth. We have been able to rapidly scale our offline operations and had established an extensive offline network of local operational hubs covering over 220 cities across 31 provinces, autonomous regions and municipalities in China as of June 30, 2022. In 2019, 2020 and 2021, approximately 85.6%, 74.9% and 67.5% of all students who paid for our offline courses were converted from students who had previously paid for our online offerings, respectively, and from the time they purchased our offline courses until June 30 of the respective following year, approximately 79.2%, 77.5% and 71.0% of such converted students had continued to pay for our online offerings, respectively. In the six months ended June 30, 2022, approximately 68.8%

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of all students who paid for our offline courses were converted from students who had previously paid for our online offerings. The online-to-offline conversion rate decreased during the Track Record Period, primarily because we had only limited-scale classroom-based tutoring services in 2019 and early 2020 with limited customer acquisition capabilities from offline channels. As we have been gradually establishing nationwide operational hubs since May 2020 with direct sales force, we have been able to attract new students directly through offline channels. While we fulfill the offline learning needs of on-site students nationwide, we also recommend them suitable online products and courses, thereby achieving our OMO synergy.

Our business model has allowed us to cost-effectively accumulate a massive student base and generate paid enrollments. The following table sets forth the paid enrollments of our tutoring courses and products for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Online learning products					
Membership package (million)	0.8	1.5	1.5	0.8	1.1
Challenge exercise (million)	0.2	0.5	0.5	0.3	0.3
Online tutoring courses					
Formal courses (million) ⁽¹⁾	1.3	1.5	2.2	1.1	1.1
Systematic courses	708,000	841,000	1,386,000	691,000	615,000
Premium courses	—	21,000	111,000	53,000	104,000
Special courses	605,000	612,000	702,000	377,000	412,000
Promotional courses (million) ⁽²⁾	3.7	5.4	4.7	2.6	1.3
Classroom-based tutoring courses					
Formal courses ⁽¹⁾	48,000	293,000	398,000	287,000	110,000
Promotional courses ⁽²⁾	23,000	416,000	438,000	310,000	96,000
Total (million)	6.0	9.6	9.8	5.5	4.1

(1) Our online formal courses primarily included systematic courses, premium courses and special courses and were priced at RMB99 or above. See “— Our Tutoring Services — Online Tutoring — Online tutoring courses” for details. Our offline formal courses were priced at RMB500 or above.

(2) Promotional courses are primarily designed to establish our reputation among prospective students and attract new users to our platform. Our online and offline promotional courses were priced less than RMB99 and RMB500, respectively, during the Track Record Period.

The paid enrollments of our online formal courses increased steadily from 1.3 million in 2019 to 1.5 million in 2020 and further to 2.2 million in 2021, and remained relatively stable at 1.1 million in the six months ended June 30, 2021 and 2022. Specifically, the paid enrollments of our online systematic courses increased steadily during the Track Record Period as we built up our brand and continued to diversify our course offerings, except for the impact of the COVID-19 resurgence in the first half of 2022, which led to the postponement of certain examinations and, accordingly, adjustments in students’ examination preparation cycles. The paid enrollments of our online premium courses increased from nil in 2019 to 21,000 in 2020 and further to 111,000 in 2021, primarily due to the launch and increased offering of our online premium courses since June 2020. The paid enrollments of our online premium courses increased from 53,000 in the six months ended June 30, 2021 to 104,000 in the six months ended June 30, 2022, primarily because we continued to develop and diversify our course offerings to cater to different examinations, despite the impact of the COVID-19 resurgence in the first half of 2022. The paid enrollments of our online promotional courses decreased from 5.4 million in 2020 to 4.7 million in 2021, and the paid enrollments of our online learning products remained stable in 2020 and 2021, primarily because we began to strategically focus on converting prospective students to paid enrollments for our online formal courses in 2021 to realize upselling opportunities in our established student base. Similarly, the paid enrollments of our online promotional courses decreased from 2.6 million in the six months ended June 30, 2021 to 1.3 million in the six months ended June 30, 2022.

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The total paid enrollments of our classroom-based tutoring courses increased from 71,000 in 2019 to 710,000 in 2020 and further to 836,000 in 2021, as we began to provide classroom-based tutoring courses on a trial basis in April 2017 and launched our offline course offerings on a large-scale basis in May 2020. Specifically, the paid enrollments of our classroom-based formal courses increased from 48,000 in 2019 to 293,000 in 2020 and further to 398,000 in 2021, while the paid enrollments of our classroom-based promotional courses remained relatively stable at 416,000 and 438,000 in 2020 and 2021, respectively, primarily because we began to strategically focus on converting prospective students to paid enrollments for our classroom-based formal courses in 2021. The total paid enrollments of our classroom-based tutoring courses decreased from 597,000 in the six months ended June 30, 2021 to 206,000 in the six months ended June 30, 2022, primarily due to (1) the strategic adjustment of the scale of our offline coverage to effectively manage our growth and improve our profitability, which reduced the number of our operational hubs from 363 as of December 31, 2021 to 276 as of June 30, 2022, and (2) the impact of the regional resurgence of the COVID-19 pandemic.

Our Directors are of the view that there has been no material cannibalization between our online and classroom-based tutoring businesses, primarily due to the following reasons:

- (1) Online and offline offerings of recruitment examination tutoring services are not homogeneous products. Instead, they are designed to complement with each other and address the diversified student needs. According to the F&S Report, some students, especially adult students with a full-time job, are inclined to have more flexibility to take courses at the time and location of their choosing, while some other students prefer to prepare for the relevant examination in a more scheduled, intensive and fully-devoted manner. Therefore, there is a sustained demand for online and classroom-based career test preparation services, respectively. As such, we believe that our expansion into classroom-based tutoring services enable us to increase our market share, rather than diverting students from our online tutoring services.
- (2) According to the F&S Reports, there are substantial underserved needs for both online and classroom-based recruitment examination tutoring services in China, as evidenced by the relatively low overall penetration rate of 27.1% in 2021, which is expected to increase to 31.4% in 2026, indicative of significant growth potential. With our OMO integration model, we believe that we are well positioned to accommodate both needs with our comprehensive online and classroom-based tutoring services.
- (3) Product cannibalization may quickly lead to sales stagnation and revenue loss, but our results of operations have not indicated a similar trend. For example, the paid enrollments of our formal courses as a percentage of total tutoring courses increased from 23.4% in 2020 to 33.5% in 2021 and further to 46.2% in the six months ended June 30, 2022. In addition, since the launch of our classroom-based tutoring on a large-scale basis in May 2020, the revenue generated from both online and classroom-based tutoring generally increased during the Track Record Period, except for the impact of the COVID-19 resurgence on our classroom-based tutoring in the first half of 2022. The relatively stable trend of our online paid enrollments from 2020 to 2021 primarily resulted from our strategy to reduce the offering of online promotional courses as discussed above and to grow the paid enrollments of our online formal courses, as evidenced by a 49.1% increase in the paid enrollments of our online formal courses.

The following table sets forth a summary of our average gross billings per paid enrollment for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB except for the paid enrollments)				
Average gross billings per paid enrollment:					
Online learning products					
Membership package	62	55	49	48	44
Challenge exercise	296	338	305	306	302

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	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB except for the paid enrollments)				
Online tutoring courses					
Formal courses	726	713	839	859	861
Systematic courses	821	759	609	664	595
Premium courses	—	7,447	7,135	7,568	4,746
Special courses	614	416	302	283	275
Promotional courses	7	8	13	14	9
Classroom-based tutoring courses					
Formal courses	12,001	9,477	10,984	11,155	8,646
Promotional courses	20	25	73	71	53

The average gross billings per paid enrollment for online formal courses decreased from 2019 to 2020, primarily due to the increased offering of public institution employees examination tutoring courses and teacher qualification and recruitment tutoring courses that had relatively lower course fees as compared to civil servants examination tutoring courses. In addition, the average gross billings per paid enrollment for online special courses was relatively higher in 2019 as compared to those in 2020 and 2021, primarily because we offered certain special courses with relatively high course fees in 2019, which were discontinued thereafter.

The average gross billings per paid enrollment for online systematic courses and premium courses decreased from 2020 to 2021 and from the six months ended June 30, 2021 to the six months ended June 30, 2022, primarily because we continued to increase the offering of public institution employees examination tutoring courses, teacher qualification and recruitment tutoring courses and other test preparation courses that had relatively lower course fees as compared to civil servants examination tutoring courses. For example, during the Track Record Period, our online systematic courses for civil servants examination were generally priced between RMB880 to RMB980, whereas our online systematic courses for other examination subjects were generally priced between RMB99 to RMB600. Similarly, our online premium courses for civil servants examination were generally priced between RMB3,200 to RMB49,800, whereas our online premium courses for other examination subjects were generally priced between RMB980 to RMB30,000. The decrease in the average gross billings per paid enrollment for online premium courses was also caused by the reduced offering of relatively higher-priced contractual classes that are subject to full refund for no-pass since the second half of 2021. The average gross billings per paid enrollment for online special courses decreased from 2020 to 2021 and from the six months ended June 30, 2021 to the six months ended June 30, 2022, primarily because an increasing number of relatively higher-priced special courses had been upgraded as premium courses since 2020 as they gained wide market acceptance as a result of our continued optimization of such courses with learning content upgrade. The average gross billings per paid enrollment for online systematic courses, premium courses and special courses may continue to fluctuate in the near future. We will closely monitor the changes in market demand and industry trends in order to swiftly adjust our pricing level and service offering mix.

As we focused more on increasing paid enrollments for our relatively higher-priced online premium courses in 2021 and the six months ended June 30, 2022, the overall average gross billings per paid enrollment for online formal courses increased from 2020 to 2021 and from the six months ended June 30, 2021 to the six months ended June 30, 2022, despite the respective decreases in the average gross billings per paid enrollment for online systematic courses, premium courses and special courses as discussed above.

The average gross billings per paid enrollment for classroom-based formal courses decreased from 2019 to 2020, primarily because following the launch of classroom-based tutoring on a large-scale basis in May 2020, we began to offer a more comprehensive portfolio of courses, which included courses with relatively low course fees that we did not offer in 2019. The average gross billings per paid enrollment for classroom-based formal courses increased from 2020 to 2021, primarily because we focused more on increasing paid enrollments for our classroom-based contractual classes that were priced relatively higher in 2021. The average gross billings per paid enrollment for classroom-based formal courses decreased from the six months ended June 30, 2021 to the six months ended June 30, 2022, primarily due to the reduced offering of relatively higher-priced written test contractual classes that are subject to full refund for no-pass since the second half of 2021.

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During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. See “— Sales of Books” for details. The following table sets forth the breakdown of our revenue by business line and course type for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for the percentages)									
	(Unaudited)									
TUTORING SERVICES										
Online tutoring										
Online learning products . . .	59,152	5.1	160,205	7.4	146,913	4.3	89,108	4.7	87,794	6.1
Membership package . . .	38,271	3.3	78,269	3.6	69,734	2.0	39,346	2.1	45,398	3.1
Challenge exercise . . .	20,881	1.8	81,936	3.8	77,179	2.3	49,762	2.6	42,396	3.0
Online tutoring courses . . .	598,280	51.6	826,027	38.8	1,249,212	36.4	589,701	31.3	629,037	43.3
Formal courses . . .	574,758	49.6	801,512	37.7	1,193,269	34.8	556,501	29.5	618,852	42.6
Systematic courses . . .	433,600	37.4	534,715	25.1	655,361	19.1	338,113	17.9	307,378	21.2
Premium courses . . .	—	—	50,235	2.4	332,433	9.7	124,996	6.6	210,640	14.5
Special courses . . .	141,158	12.2	216,562	10.2	205,475	6.0	93,392	5.0	100,834	6.9
Promotional courses . . .	23,522	2.0	24,515	1.1	55,943	1.6	33,200	1.8	10,185	0.7
Subtotal of online tutoring . . .	657,432	56.7	986,232	46.2	1,396,125	40.7	678,809	36.0	716,831	49.4
Classroom-based tutoring										
Formal courses . . .	354,141	30.5	881,335	41.4	1,596,180	46.6	993,704	52.7	519,017	35.8
Promotional courses . . .	306	0.0	5,165	0.2	21,150	0.6	11,760	0.6	4,517	0.3
Subtotal of classroom-based tutoring . . .	354,447	30.5	886,500	41.6	1,617,330	47.2	1,005,464	53.3	523,534	36.1
SUBTOTAL OF TUTORING SERVICES . . .	1,011,879	87.2	1,872,732	87.8	3,013,455	87.9	1,684,273	89.3	1,240,365	85.5
SALES OF BOOKS . . .	148,436	12.8	259,342	12.2	415,104	12.1	201,144	10.7	210,667	14.5
TOTAL . . .	1,160,315	100.0	2,132,074	100.0	3,428,559	100.0	1,885,417	100.0	1,451,032	100.0

The following table sets forth a summary of our average revenue per paid enrollment for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB)				
Average revenue per paid enrollment:					
Online learning products					
Membership package . . .	50	52	46	47	41
Challenge exercise . . .	124	154	146	153	131
Online tutoring courses					
Formal courses . . .	438	543	543	497	547
Systematic courses . . .	613	636	473	489	500
Premium courses . . .	—	2,364	3,005	2,381	2,019
Special courses . . .	233	354	293	247	245
Promotional courses . . .	6	5	12	13	8
Classroom-based tutoring courses					
Formal courses . . .	7,377	3,005	4,010	3,457	4,729
Promotional courses . . .	13	12	48	38	47

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The average revenue per paid enrollment for online formal courses increased from 2019 to 2020, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because we offered contractual classes with a relatively long service period in 2019, for which all gross billings were recorded in 2019, while only a portion of the gross billings corresponding to the services delivered in 2019 was recognized as revenue in the same year. The average revenue per paid enrollment for online special courses followed the same trend for similar reasons. We have strategically ceased to sell such contractual classes since early 2020. The average revenue per paid enrollment for online systematic courses increased from 2019 to 2020 and from the six months ended June 30, 2021 to the six months ended June 30, 2022, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because we recognize revenue generated from online systematic courses over the relevant service periods, which may cause delay in revenue recognition compared with receipt of gross billings, as they could be affected by, among others, the difference in the timing of the relevant examinations and, accordingly, students' purchases. The average revenue per paid enrollment for online premium courses increased from 2020 to 2021, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because we had reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass since the second half of 2021. Similarly, the average revenue per paid enrollment for classroom-based formal courses increased from the six months ended June 30, 2021 to the six months ended June 30, 2022, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because we adjusted our business development strategies, and as a result, reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass and the offering of written test contractual classes that are subject to full refund for no-pass since the second half of 2021. The average revenue per paid enrollment for classroom-based promotional courses increased from the six months ended June 30, 2021 to the six months ended June 30, 2022, whereas the corresponding average gross billings per paid enrollment decreased during the same period, primarily because in the six months ended June 30, 2021, in order to promote our classroom-based tutoring services, we provided certain promotional courses that allowed for refund if the students completed the courses or purchased formal courses, which resulted in a relatively higher average gross billings per paid enrollment yet a relatively lower average revenue per paid enrollment.

OUR TUTORING SERVICES

We deliver our tutoring services through omni-channels. Our instructors deliver courses in live or pre-recorded format and interact with students on Fenbi online platform. To capture the evolving student needs for offline services, we also offer classroom-based tutoring, in which our instructors deliver courses to students who physically attend the lectures in classrooms set up by our local operational hubs. In addition, students taking either online or offline tutoring courses may supplement their learning with our online learning products and toolkits. Students are allowed to choose from our comprehensive online and classroom-based tutoring service offerings based on their learning needs. According to the F&S Report, some students, especially adult students with a full-time job, are inclined to have more flexibility to take courses at the time and location of their choosing, while some other students prefer to prepare for the relevant examination in a more scheduled, intensive and fully-devoted manner, leading to differentiated choices between online and classroom-based services.

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The following table sets forth a breakdown of the paying users of our tutoring services and the average revenue per paying user for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Number of paying users:					
Online tutoring services					
Existing paying users ⁽¹⁾	775,965	1,166,908	1,493,444	1,185,534	1,092,657
New paying users ⁽²⁾	1,338,731	1,967,488	2,261,906	1,200,582	951,065
Subtotal.	2,114,696	3,134,396	3,755,350	2,386,116	2,043,722
Classroom-based tutoring services					
Existing paying users ⁽¹⁾	32,825	189,892	261,698	219,837	97,986
New paying users ⁽²⁾	21,511	202,105	220,673	149,418	44,968
Subtotal.	54,336	391,997	482,371	369,255	142,954
Average revenue per paying user:					
Online tutoring services (RMB).	311	315	372	284	351
Classroom-based tutoring services (RMB).	6,523	2,261	3,353	2,723	3,662

(1) Refer to paying users who had also purchased our tutoring courses and/or learning products in previous periods.

(2) Refer to paying users who purchased our tutoring courses and/or learning products for the first time in the period indicated.

For online tutoring services, the number of new paying users in the six months ended June 30, 2022 was slightly fewer than the number of existing paying users, primarily because we reduced the offering of our online promotional courses and focused more on converting prospective students to our online formal courses. For classroom-based tutoring services, the number of new paying users in 2020 was higher than the number of existing paying users, primarily due to the launch of our classroom-based tutoring services on a large-scale basis in May 2020. In 2021 and the six months ended June 30, 2022, the number of new paying users was fewer than the number of existing paying users, as a large portion of the paying users for our classroom-based tutoring services were converted from paying users who had previously purchased our online service offerings.

Online Tutoring

We deliver online tutoring courses in live or pre-recorded format, or their combination, through our Fenbi online platform, supplemented by well-designed online learning products, including membership package and challenge exercise. The flexible nature of our business model and online platform enables us to scale our business cost-effectively. We believe that our online tutoring services can improve the efficiency of instructions and enrich the learning experience for students in a number of ways.

- *Access to high-quality instructors.* Through our online tutoring courses, we are able to disseminate scarce high-quality teaching resources to students from scattered locations nationwide.
- *Time efficiency and learning flexibility.* Students taking offline tutoring courses must adhere to a fixed curriculum schedule and commute to a learning center, which may be impractical and less desirable for adult students with a full-time job and limited free time. By comparison, students can attend our online tutoring courses using their desktop computers or mobile devices at the time and location of their choosing. In addition, students may view and replay the online courses throughout their enrollment period at their convenience, which is attractive to our students.

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- *Technology-driven add-ons.* We leverage technologies to enrich our online offerings and continuously optimize the learning experience for our students. We deliver immersive and interactive in-class learning supported by our in-house developed RTC video system, and streamline the after-class exercises by our students with feature-rich online learning products and toolkits empowered by our data analytics and AI technologies. In this way, we can more adequately prepare them for the relevant recruitment or qualification examinations.
- *Highly engaged and encouraging community culture.* We are dedicated to cultivating a highly engaged learning community. We are the only recruitment examination tutoring service provider that provides for commenting and other social media features, according to the F&S Report. On our Fenbi online platform, students and instructors can discuss knowledge points and share their learning and/or teaching experience. We believe the sense of community we fostered can enhance student engagement and improve learning outcomes. In addition, the highly engaged community on our platform has served to promote our brand recognition and word-of-mouth referrals.

We generated revenue of RMB657.4 million, RMB986.2 million, RMB1,396.1 million, RMB678.8 million and RMB716.8 million from online tutoring services in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 56.7%, 46.2%, 40.7%, 36.0% and 49.4% of our total revenue in the same periods, respectively.

Online tutoring courses

Our online tutoring courses cover a wide spectrum of examination categories, including primarily civil servants examinations, public institution employees examinations, teacher qualification and recruitment examinations, and various other certification and qualification examinations. See “— Our Course Offerings.”

Our online tutoring courses cover the full examination preparation cycle and prepare our students for both written tests and interview tests. Our written test courses may comprise any one or a combination of three components: (1) theoretical study, where our instructors deliver courses to cover the theoretical knowledge based on the examination syllabi; (2) exercises and mock examinations, where our students do exercises, take mock examinations and receive feedback and detailed analysis of their performance from our instructors and through our online learning products and toolkits; and (3) preparation at the sprint stage, where our instructors help our students systematically review the course content, revisit key knowledge points and hone examination skills. Our interview test courses generally comprise two main components: (1) theoretical study, where our instructors deliver courses to cover the different type of interview questions; and (2) interview practice, where our students conduct mock interviews to practice answers to interview questions, where our instructors will review and provide feedback.

We primarily deliver our online formal tutoring courses in the following types to our students, with flexible learning options to suit their personalized academic and skill competence level.

Systematic course (系統班)

We launched our flagship online systematic civil servants examinations tutoring course in September 2014, being the first of the kind in China, according to the F&S Report. We subsequently developed additional online systematic test preparation courses for other examinations, such as public institution employees examinations and the teacher qualification and recruitment examinations. During the Track Record Period, our systematic courses generally lasted from 15 to 115 days and were typically priced between RMB99 to RMB980 per course.

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We equip our systematic courses with high-caliber instructors and well-designed curricula to help students acquire requisite knowledge and skills to pass the relevant recruitment or qualification examinations. We provide both systematic written test courses and interview test courses to empower students throughout the examination preparation process. Our systematic written test courses generally cover three major learning stages, including comprehensive lectures on theoretical knowledge, extensive exercises and analyses designed to locate and address areas of improvement, and examination sprint where our instructors help students systematically review the course content and revisit the key knowledge points. We also offer systematic interview test courses to cover theoretical lectures and live mock interview sessions where our instructors review the practice performance of our students and provide them guidance for improvement, and students may observe the performance of their classmates. We typically provide students with the membership package and in-house developed textbooks and learning materials as part of the course package to boost their learning effectiveness. We believe that such tailored course materials can enable students to get the best out of the learning process with us.

We typically deliver our systematic courses in a combination of live and pre-recorded classes. We believe the live large class is an effective way to maximize the use of top-notch teaching and curriculum resources and democratize the access to high-quality career test preparation services at an attractive price. The large-class format also makes our online systematic courses highly scalable, which allows us to rapidly grow the student base. We also provide pre-recorded classes on theoretical study and exercises to accommodate the individual learning schedules.

Premium course (精品班)

Starting from June 2020, we offer premium courses for students who require more individual attention and targeted support. We currently deliver premium courses for civil servants examinations, public institution employees examinations, teacher qualification and recruitment examinations, and various other certification and qualification examinations. During the Track Record Period, our premium courses generally lasted from 20 to 165 days and were typically priced between RMB980 to RMB49,800 per course.

Our premium course features a well-designed learning roadmap with various targeted services for our students. We deliver both large-class live lecture courses that built a solid knowledge base and small-group live courses targeting specific examination key points to better serve the individual learning needs from our students. We also organize various live Q&As and challenge exercise sessions in small groups to help students strengthen skills, tackle issues and improve performance. Moreover, we provide one-on-one services as part of our premium courses, where we assign professional tutors, each responsible for one specific key subject in the examination syllabi, to attentively engage with each student to address their queries and track their learning progress after class. Leveraging our intelligent content recommendation system, our tutors can continuously assign problem sets to students tailored for their respective weaknesses along the learning process. Upon the completion of an online mock examination, we provide students with a report detailing personalized analyses and suggestions for future improvement. In addition, we offer various benefits, such as scholarship and discounted courses for interview tests, to award and incentivize students. For premium interview test courses, we generally offer small-class tutoring sessions and mock interview and review sessions in addition to the services we provide for students of systematic interview test courses.

Special course (專項課)

We offer intensive and condensed special courses which are designed for (1) tackling specific knowledge points and analyzing trending news and the latest social or political issues, (2) preparing recruitment examinations for positions in regional government-sponsored institutions without a regular, large-scale recruitment plan, or (3) preparing students in the last few days before the examinations. We primarily offer our special online courses in live format. During the Track Record Period, our special courses generally lasted from 10 to 90 days and were typically priced between RMB99 to RMB600 per course.

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Online learning products

We provide students with innovative products to supplement our online course offerings, including membership package and challenge exercise. We launched the first membership package product in China’s recruitment examination tutoring industry, according to the F&S Report, which usually includes news updates, examination explanatory videos, pre-recorded lectures and course materials on Fenbi online platform. We offer a portfolio of membership packages targeting substantially all of the examinations we cover, which were typically priced between RMB8 to RMB499 during the Track Record Period based on the benefits included and the duration of such membership, which may last for days or months depending on the corresponding subject and/or examination. The comprehensive membership package product with a relatively low price serves as an effective tool in acquiring users, which presents considerable up selling potential for our high-end course offerings.

In December 2018, we launched the “challenge exercise” product, which is one of a kind in China’s career test preparation industry, according to the F&S Report. It was typically priced between RMB199 to RMB598 during the Track Record Period. Students who purchase this product can access different sets of exercises tailored automatically based on their areas of improvement and suitable difficulty level, which they can “pass through” one by one as they progress in the learning process. Students who achieve the target score within a prescribed period will be granted a partial or full refund of the purchase price. We believe that the innovative product feature, together with our established online question bank and robust AI and data analytics capabilities, allows us to further accumulate users in a cost-effective manner.

Fenbi online platform

Our Fenbi online platform comprises various mobile apps and accompanying portals, including websites and Weixin mini-programs. The following table sets forth our major mobile apps, which are offered by course subject.

Mobile App	Target Users	
	Fenbi Career Test Preparation (粉筆職教)	Users seeking to secure a job position in government-sponsored institutions or certain professions and industries of similar nature, or acquire a qualification certificate through examinations generally
	Fenbi Teachers (粉筆教師)	Users seeking to prepare for the teacher qualification and recruitment examinations
	Fenbi Graduate School Entrance Examination (粉筆考研)	Users seeking to prepare for graduate school entrance examinations
	Fenbi Healthcare (粉筆醫療)	Users seeking to prepare for the healthcare system recruitment
	Fenbi National Judicial Examinations (粉筆法考)	Users seeking to prepare for the National Judicial Examinations

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The following screenshots illustrate the main homepage feed and key features of Fenbi Career Test Preparation, which is representative of all other mobile apps.



User Report



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Users may attend live courses, stream pre-recorded courses, review course materials, browse the question bank and communicate with other users and our instructors through Fenbi online platform. Our online tutoring setting features multiple functions designed to deliver highly engaging, interactive classes. For example, empowered by our in-house developed RTC video system, our online tutoring courses allow a variety of real-time video and audio communications and activities among students and instructors. During live courses, students can volunteer to answer questions, and instructors can share their courseware in different formats, call on students to answer questions, and post online quizzes and review immediate responses. In addition, we enable functions, including document sharing and interactive whiteboard tools, which can be readily employed by instructors to encourage in-class discussions, provide vivid illustrations and highlight knowledge points. The following screenshots illustrate the student interfaces for our online tutoring courses on desktop computers and mobile devices, respectively.





Our online tutoring courses have been well received by candidates for various recruitment and qualification examinations, with industry-leading number of simultaneous viewers as high as 92,000.

Moreover, we have developed a variety of technology-empowered online learning toolkits and innovative platform functions to facilitate the learning process for students and help them maximize learning outcomes.

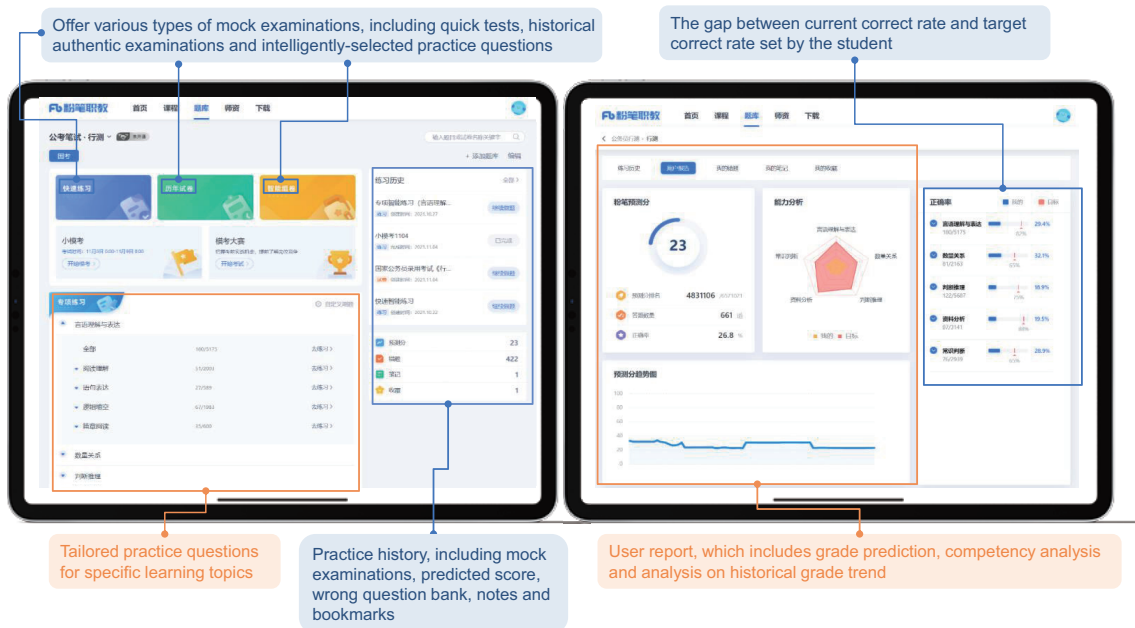
Online question bank

In June 2015, we launched the first comprehensive online question bank in China’s recruitment examination tutoring industry, and has since stayed at the forefront among all question bank products in the industry in terms of question explanation and mock question design, according to the F&S Report. As of June 30, 2022, our question bank had accumulated approximately 2.3 million questions and supported approximately 1.9 billion number of online exercises on an aggregate of over 30.9 billion questions practiced.

Our online question bank is more than a collection of questions and answers. They are embedded with thoughtfully developed learning tools to be used throughout a student’s learning journey from the first stage in determining their strengths and weaknesses through the final stage of ensuring a student’s readiness for the test day. Leveraging such powerful tool, students may review past examinations, revisit missed questions, take mock examinations, and access questions tailored for their respective areas for improvement.

- *Detailed explanations.* Our question bank provides detailed explanations of each question and the underlying knowledge points.
- *Performance metrics.* After each round of practice, students are able to view their performance metrics to track their progress and preparedness. Our question bank helps students understand where to focus their learning efforts for the best possible test outcome.
- *24/7 flexibility and availability.* Our question bank is available online 24/7. Students can access it from their desktop computers and mobile devices. Moreover, our question bank offers different options ranging from short quizzes that fit a student’s learning schedule to full-set examination simulations.

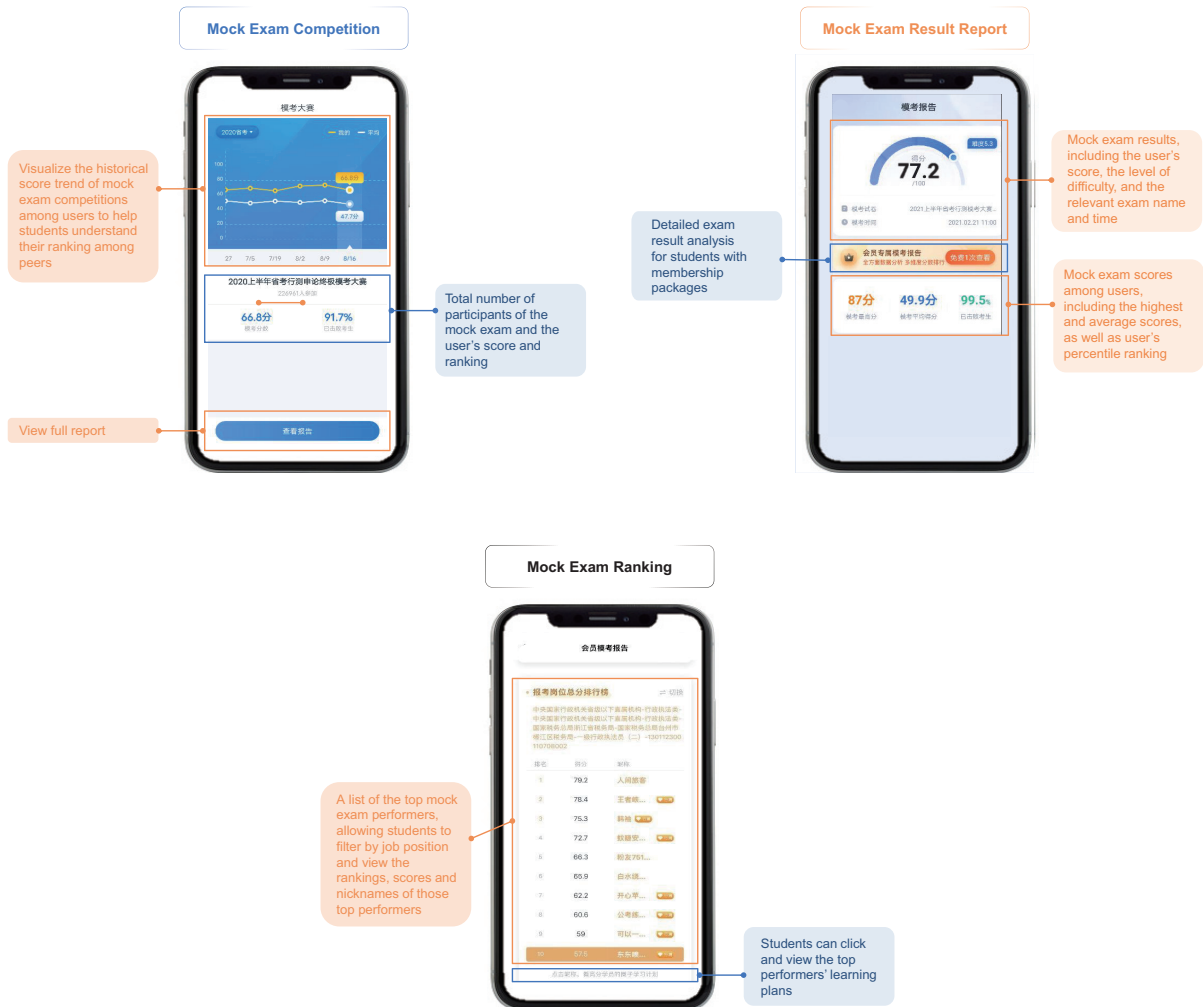
The following screenshots illustrate the student interface of our question bank.



Online mock examination system

In March 2015, we launched a large-scale online mock examination system, which is open to all interested participants. Our online mock examination system is able to support live mock examination on subjective essay questions for over 300,000 participants simultaneously, which demonstrates leading system capability in China's recruitment examination tutoring industry, according to the F&S Report. As of June 30, 2022, we had hosted various online mock examinations for an aggregate of approximately 45.9 million participants.

Embedded with well-crafted questions, our online mock examination system simulates the format, difficulty level and length of the actual examination setting, which helps participants overcome test-taking anxiety and provides them with targeted remediation. The online mock examination system can also generate score and percentile ranking for each participant automatically within one minute following the completion of the mock examination, allowing the participant to discern his or her progress and improvement, set the target job positions and formulate targeted learning strategies. This feature is particularly useful for preparing civil servants examinations that involve millions of participants yet the competition intensity varies with different job openings. Meanwhile, participants can track their progress by taking mock examinations at different learning stages to timely adjust their learning strategies. They will know where to focus their efforts and can easily access content review resources on our Fenbi online platform for the topics that need the most improvement. The following screenshots illustrate the student interface of our online mock examination system.



Classroom-based Tutoring

We began to provide classroom-based tutoring courses on a trial basis in April 2017 and launched our offline course offerings on a large-scale basis in May 2020, with comprehensive program and service offerings and related sales and marketing activities to extend the outreach of our tutoring services. We offer classroom-based tutoring courses through classroom facilities set up by a network of local operational hubs in select cities with considerable student demands.

Leveraging our broad user base accumulated through our Fenbi online platform, we can channel prospective students with offline education needs to our offline course offerings with premium pricing to facilitate our overall business growth and scale our offline operations in a cost-effective manner. In 2021, approximately 67.5% of all students who paid for our offline courses were converted from students who had previously paid for our online offerings. Since the launch of our offline course offerings on a large-scale basis in May 2020 and up to June 30, 2022, we had accumulated over 1.7 million paid enrollments for our offline courses. We strategically launched our offline course offerings on a large-scale basis in May 2020, considering that by that time (1) we had established our prominent online presence with a massive user base, and had identified, after careful evaluation of market demand and competitive landscape, significant growth opportunities from the potential synergy of a OMO business model, and (2) the Chinese government had gradually lifted lockdown and quarantine measures with the spread of COVID-19 being effectively contained then, which led to a revival of offline tutoring activities.

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We are well-positioned to enrich the learning options for students with our OMO model. We may deliver our course offerings through either online or offline channels or a combination of both, based on the needs and preferences of our students. Our offline tutoring services also supplement our comprehensive online offerings to address the demands for more targeted tutoring and localized insights. We believe that such learning flexibility has allowed us to attract a broader student base and expand our addressable market effectively. Furthermore, students registered for offline courses may supplement their learning experience with our feature-rich online learning toolkits, such as the online mock examination system and the online question bank. See “— Online Tutoring — Fenbi online platform” for details. Those online add-ons have further facilitated our offline expansion.

We believe that we can optimize our content development efforts capitalizing on the OMO integration. While our large number of online users and industry-leading technologies enable data-driven insights into learning behaviors and preferences, our offline operations can provide valuable understanding on local test materials and admission standards, both of which will contribute to our integrated course development.

We generated revenue of RMB354.4 million, RMB886.5 million, RMB1,617.3 million, RMB1,005.5 million and RMB523.5 million from classroom-based tutoring services in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 30.5%, 41.6%, 47.2%, 53.3% and 36.1% of our total revenue in the same periods, respectively.

Classroom-based tutoring courses

As of the date of this prospectus, we provide classroom-based tutoring courses for civil servants examinations, public institution employees examinations, and teacher qualification and recruitment examinations. See “— Our Course Offerings.” Our classroom-based tutoring courses are primarily designed to meet the differentiated learning needs of certain students, in particular those seeking local government-sponsored positions. The recruitment examinations of such positions may vary from the national or provincial level, and therefore require more specific and targeted tutoring services. Moreover, we can better serve students who become more focused and productive in a classroom-based learning environment.

Our classroom-based courses prepare students for both written tests and interview tests along the full preparation cycle. Our written test and interview test courses may last from 10 to 90 days and five to 20 days, respectively. The components of our classroom-based written test and interview test courses are similar to that of our online tutoring courses, including theoretical study, exercises and mock examinations, and preparation at the sprint stage. For each component of the same course, students may be offered several different time slots and classroom facility location options in the same city or adjacent cities, enabling students to take courses at the time and location of their choosing for each stage of their study based on their own learning plans.

Students attending our classroom-based courses may choose boarding services at an additional cost. In addition, we offer full-time immersion courses (基地班) in our tutoring bases for more dedicated students, which may last from one to four months. Students attending immersion courses will have a more intensive learning schedule and go through a large number of exercises to thoroughly improve their mastery of knowledge and skills. Students may also subscribe for our self-study courses with boarding services in our tutoring bases to promote their learning efficiency.

Offline tutoring network

We had established an extensive offline network of local operational hubs covering over 220 cities across 31 provinces, autonomous regions and municipalities in China as of June 30, 2022. We typically establish subsidiaries and branch offices in select cities of a region, which operate as local operational hubs for such region. The operational hubs, as legal entities, are responsible for sales and marketing activities and general administrative operations in support of course delivery and other tutoring services

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in the corresponding region, including recruiting employees and entering into lease agreements for hotel conference rooms and other properties as classroom facilities and other business agreements. The following table sets forth the geographical coverage of our offline tutoring network as of June 30, 2022.

Number of local operational hubs	Provinces, autonomous regions and municipalities
More than 20	Shandong (22), Jiangsu (21)
16 to 20	Guangdong (19), Yunnan (19)
11 to 15	Gansu (14), Sichuan (14), Henan (13), Anhui (13), Shanxi (12), Hubei (12), Jilin (12), Zhejiang (12)
Five to 10	Inner Mongolia (10), Heilongjiang (10), Liaoning (10), Guizhou (10), Ningxia (8), Hunan (7), Chongqing (7), Shaanxi (5), Jiangxi (5), Fujian (5)
Less than five	Xinjiang (3), Beijing (2), Tianjin (2), Qinghai (2), Guangxi (2), Hebei (2), Tibet (1), Hainan (1), Shanghai (1)
Total	276

The following table sets forth the movement of our operational hubs during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
As of the beginning of the period	13	31	214	363
Additions	18	183	337	1
Terminations	—	—	(188)	(88)
Net increase/(decrease)	18	183	149	(87)
As of the end of the period	31	214	363	276

The number of our operational hubs increased from 31 as of December 31, 2019 to 214 as of December 31, 2020 and further to 363 as of December 31, 2021, as we began to provide classroom-based tutoring courses on a trial basis in April 2017 and launched our offline course offerings on a large-scale basis in May 2020. To effectively manage our growth and improve our profitability and taking into account the impact of the COVID-19 pandemic on our classroom-based tutoring in the near term, we strategically adjusted the number of our operational hubs to 276 as of June 30, 2022. Specifically, we closed 188 operational hubs in 2021 and 88 operational hubs in the six months ended June 30, 2022 based on comprehensive assessment of their operational performance and the addressable market of the areas they covered, including the local recruitment plans. Going forward, as we have substantially established our offline operations, we do not expect to make significant investment in establishing additional operational hubs.

Our local operational hubs are responsible for setting up classroom facilities for course delivery purpose. As recruitment and qualification examinations typically have short examination preparation cycles that last for several months, we strategically use hotel conference rooms and other short-term leased properties to set up our classroom facilities and accommodate our students, which allows us to swiftly execute and adjust our geographical expansion plan. As such, we are able to assess the number and capacity of the leased properties we need based on the paid enrollments, and enter into lease agreements with a term corresponding to the relevant examination preparation cycle. Therefore, we are able to adjust the scale and location of our classroom facilities on demand from time to time to effectively manage our costs. In 2019, 2020, 2021 and the six months ended June 30, 2022, the lease expenses we incurred as cost of sales, which was related to hotel conference rooms and other short-term lease agreements with a term of less than one year, accounted for 100.0%, 98.4%, 90.8% and 84.7% of the total cost of sales relating to leased properties for course delivery (including lease expenses and depreciation of right-of-use assets). In addition, we may set up tutoring bases designed to host our

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immersion courses, which are equipped with classrooms and boarding facilities. In addition, our operational hubs may reserve several classrooms, usually adjacent to the offline offices, for students' convenience.

We centrally manage our online and classroom-based tutoring services. We closely monitor the day-to-day operations of our local operational hubs and direct their routine activities such as content development, student administration and teaching staff evaluation. We also recruit, manage and evaluate the financial staff in all of our local operational hubs at the headquarters level, and holistically review budgets and allocate finance resources to ensure integrity.

As a general principle, we perform detailed market research on the local demands for our tutoring services before entering into a greenfield region, taking into account various factors, such as the recruitment plans of local government-sponsored institutions and the market competition. We also leverage data-driven insights to make informed execution decisions to guide our offline expansion. We generally set up our operational hubs in the downtown area or near colleges and universities to cover a wide student population with diverse academic and career development demands. Our tutoring bases are generally located in the suburb of a regional metropolises to accommodate a broader student base in the surrounding areas.

The following table sets forth a breakdown of our revenue generated from classroom-based tutoring services by region for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Eastern China region	103,551	29.2	229,266	25.9	380,500	23.5	198,171	19.7	71,665	13.7
Northern China region	74,926	21.1	168,585	19.0	269,072	16.6	177,511	17.7	79,094	15.1
Southern China region	70,962	20.0	116,257	13.1	259,816	16.1	166,985	16.6	93,713	17.9
Northwestern China region	40,682	11.5	114,109	12.9	245,956	15.2	172,993	17.2	98,372	18.8
Northeastern China region	32,450	9.2	114,038	12.9	198,714	12.3	129,872	12.9	56,800	10.8
Southwestern China region	31,876	9.0	144,245	16.2	263,272	16.3	159,932	15.9	123,890	23.7
Total revenue generated from classroom-based tutoring services	354,447	100.0	886,500	100.0	1,617,330	100.0	1,005,464	100.0	523,534	100.0

Our Course Offerings

We offer a wide range of test preparation courses addressing various educational needs of adult students in China. As of the date of this prospectus, our course offerings primarily include (1) civil servants examinations tutoring courses, (2) public institution employees examination tutoring courses, (3) teacher qualification and recruitment tutoring courses, and (4) other test preparation courses.

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The following table sets forth a breakdown of our revenue generated from tutoring services by examination sector for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Civil servants examination tutoring	799,415	79.0	1,438,322	76.8	2,062,865	68.5	1,136,759	67.5	828,682	66.8
Public institution employees examination tutoring	114,121	11.3	279,009	14.9	586,796	19.5	356,665	21.2	244,249	19.7
Teacher qualification and recruitment tutoring	53,413	5.3	102,973	5.5	251,947	8.4	138,542	8.2	127,803	10.3
Other test preparation	44,930	4.4	52,428	2.8	111,847	3.7	52,307	3.1	39,631	3.2
Total revenue generated from tutoring services	1,011,879	100.0	1,872,732	100.0	3,013,455	100.0	1,684,273	100.0	1,240,365	100.0

Civil servants examination tutoring

Candidates seeking a career in the central governmental agencies in China are required to pass the National Civil Servants Examination, which is held by the National Civil Service Administration (中華人民共和國國家公務員局). The written tests are normally held in November or December of a year and the results are usually announced in January of the following year. Subsequently, the interview tests are normally held in February or March, and the results are usually announced in March or April of the same year.

Candidates seeking a career in the local governmental agencies in China are required to pass the Regional Civil Servants Examination, which is generally held by the regional bureaus of the National Civil Service Administration and relevant departments of provincial governments. The written tests and the interview tests (following the announcement of the written test results) are normally held in the first half of a year, and the final results are gradually released in the second half. Certain provinces, such as Zhejiang Province, normally hold the written tests of the Regional Civil Servants Examination in the fourth quarter of a year following the written tests of the National Civil Servants Examination, and hold the interview tests in the next year.

According to the F&S Report, the National Civil Servants Examination and the Regional Civil Servants Examination are among the most sought-after professional examinations in China, attracting an aggregate of approximately 7.0 million applicants in 2021. Moreover, the National Civil Servants Examination is among the most difficult examinations in China in terms of the passage rate. The passage rate of the written test and the interview test of the National Civil Servants Examination in 2021 was 8.2% and 20.0%, respectively, and the recruitment rate in 2021 was only 1.6%. In addition, the recruitment ratio of the Regional Civil Servants Examination ranged from 4.5% to 2.9% from 2016 to 2021, and the passage rate of the written test and the interview test of the Regional Civil Servants Examination in 2021 was 8.7% and 33.3%, respectively.

We have designed our preparation courses around the preparation of the Civil Servants Examinations to help students acquire and improve their knowledge and skills. We currently offer both online tutoring courses and classroom-based tutoring courses to meet students' diversified learning needs. In addition, our civil servants examination tutoring courses have diverse course syllabi, covering either written tests or interview tests or a combination of both and varying upon intensity and comprehensiveness, to maximize learning flexibility.

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Public institution employees examination tutoring

Candidates seeking employment in a public institution in China must pass a recruitment examination held by the relevant institution. We currently offer both online tutoring courses and classroom-based tutoring courses for public institution employees examinations, covering both written tests and interview tests. Similar to civil servants examination tutoring courses, our public institution employees examination tutoring courses have different course syllabi with varying levels of intensity and coverage, catering to different needs of students.

Teacher qualification and recruitment tutoring

Candidates seeking a career as a teacher must pass the teacher qualification examinations held by the National Education Examinations Authority. We provide preparatory courses ranging from kindergarten teacher qualification examinations to secondary school teacher qualification examinations to help our students acquire and improve their knowledge and skills related to such examinations. We currently provide our teacher qualification tutoring courses through both online and offline channels with diversified course syllabi covering written tests or interview tests or a combination of both.

After obtaining the requisite teacher qualification certificate, a candidate seeking a government-sponsored teaching position in public schools or certain private schools must pass the teacher recruitment examinations held by regional education bureaus or personnel bureaus. Similarly, we offer both online tutoring courses and classroom-based tutoring courses with diversified course syllabi covering written tests or interview tests or a combination of both, including offline one-on-one interview test courses.

Other test preparation courses

We provide various recruitment examination tutoring courses for several professionals and industries in the broad public service sector, such as recruitment examinations for state-owned banks, public security bureaus and community-level posts in education, agriculture, healthcare and poverty relief. We primarily provide online courses for these recruitment examinations. We also provide a variety of test preparation courses for certain qualifications and certifications, such as the CPA certificate test preparation course, the construction engineer certification test preparation course and the national judicial examination. In addition, we have expanded our course offerings beyond the non-formal VET market to further enlarge our user base and exploit cross-selling opportunities. For example, as a great number of soon-to-be university graduates would prepare for civil servants or public institution employees examinations and graduate school applications simultaneously or consecutively, we launched our graduate school entrance examination preparation courses in 2020, which covers the vast majority of specialized subjects. In June 2018, we launched the preparation courses for CET 4, which is a prerequisite for a bachelor's degree at a majority of colleges and universities in China, and the preparation courses for CET 6, which is widely preferred by employers nowadays, to attract undergraduates as they are potential targets of our career test preparation courses.

Course Fees and Refund Policies

We generally require our students to pay the full amount of course fees after signing up for either online courses or classroom-based courses. We generally determine the course fees based on a number of factors, including, among others, subject matter, examination cycle, level of sophistication of the course, course coverage, add-on services and competition. Our course fees may also include accommodation and meal costs for certain courses with boarding services. In general, the course fees for classroom-based tutoring courses are relatively higher than those for our online tutoring courses. The course fees for premium courses are also higher than those for our systematic courses. The following table sets forth the typical course fee ranges of our formal courses by service type during the Track Record Period.

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	Typical course fee ranges
	(RMB)
Civil servants examination tutoring courses	
Online systematic courses	880–980
Online premium courses	3,200–49,800
Online special courses	99–600
Classroom-based tutoring courses	500–30,000
Public institution employees examination tutoring courses	
Online systematic courses	200–600
Online premium courses	980–30,000
Online special courses	99–600
Classroom-based tutoring courses	500–20,000
Teacher qualification and recruitment tutoring courses	
Online systematic courses	99–400
Online premium courses	980–12,800
Online special courses	99–600
Classroom-based tutoring courses	500–15,000
Other test preparation courses	
Online systematic courses	99–600
Online premium courses	600–7,000
Online special courses	99–1,000
Classroom-based tutoring courses	—

Our courses can be classified as non-contractual classes and contractual classes based on different refund policies. All promotional courses are classified as non-contractual classes from the revenue recognition perspective. Students subscribing for certain formal courses, including primarily civil servants examination tutoring courses, public institution employees examination tutoring courses, teacher qualification and recruitment tutoring courses and CET 4/6 preparation courses, have the option to choose between non-contractual classes or contractual classes, and the course fees for contractual classes are generally higher than that for the non-contractual classes of the same course. In determining whether to offer contractual classes for certain courses, we generally consider factors such as the number of relevant applicants and positions offered, level of competition, as well as the historical demand for the relevant courses.

We may allow refund of course fees in instances of withdrawal from all types of classes prior to the class start date or during the span of the courses. The refund is proportional to the undelivered classes and services. We also refund the fees related to the accompanying textbooks and learning materials if they remain unused at the time of the withdrawal after deducting delivery fees. The following table sets forth the respective withdrawal rates for our online and classroom-based offerings, as calculated by dividing the withdrawal refunds during a given period (including withdrawals prior to the class start date) by the gross billings in the same period, during the Track Record Period.

	Year ended December 31,			Six months
	2019	2020	2021	ended June 30, 2022
Online tutoring courses and learning products	5.6%	8.9%	7.7%	7.7%
Classroom-based tutoring courses	8.8%	12.6%	13.7%	20.3%

The withdrawal rate for our classroom-based offerings increased in the six months ended June 30, 2022, primarily due to the impact of the regional resurgence of the COVID-19.

In addition, the course fees for contractual classes are partially or fully refundable if the students complete the classes but fail to pass the examinations as specified in our agreement. The overall examination passage rate varies among different examinations. For example, the passage rate of the written test and the interview test of the National Civil Servants Examination in 2021 was 8.2% and 20.0%, respectively. See “Industry Overview” and “— Our Course Offerings.” As such, we initially

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record a certain percentage of the contractual class course fees and non-contractual class course fees as refund liabilities based on the estimated refund rate respectively, taking into consideration the historical refund level. We initially record the remaining course fees as contract liabilities, which are subsequently recognized as revenue over the relevant service periods. See “Financial Information — Critical Accounting Policies, Judgments and Estimates — Revenue Recognition” for details.

At the time of purchase, our students may choose from different refund options for the same contractual class, i.e., a partial or full refund for no-pass, which have substantially the same course syllabi and other general course settings. For written test contractual classes, the course fees for fully refundable contractual classes are generally higher than that for the partially refundable contractual classes of the same course. Since the second half of 2021, we substantially reduced the offering of written test contractual classes that are subject to full refund for no-pass. Similarly, for interview test contractual classes, the course fees for fully refundable contractual classes are generally higher than that for the partially refundable contractual classes of the same course. In addition, for certain civil servants examination tutoring courses, only students who have passed the written tests with outstanding scores are entitled to purchase our fully refundable interview test contractual classes. During the Track Record Period, for partially refundable contractual classes, the proportion of the course fees that are subject to refund generally ranged from 65% to 70% of the total course fees.

If a student of our contractual classes fails to pass the examinations, a refund request can be submitted to us from the date of the announcement of the examination results. After we receive the refund request and supporting materials and confirm the facts, we will promptly make the refund to such student. We are entitled to reject a refund request if such student fails to pass the examination due to his or her own fault, such as failure to complete our courses, failure to adhere to our learning plans or no-show at the examinations. While we do not specifically provide for a cut-off date for students’ refund requests, in practice, substantially all of the students who fail to pass the examinations will submit their refund requests within six months following the relevant examination dates. During the Track Record Period and up to the Latest Practicable Date, we only had two legal disputes relating to course fee refund with an aggregate amount in dispute of approximately RMB14,000. One student had subsequently withdrawn his claim for lack of reasonable ground, and the other student had settled the dispute with us for a settlement amount of RMB600.

Starting from 2020, we began to offer postpaid contractual classes to attract an enlarging student base of different spending powers. Students purchasing our postpaid contractual classes are allowed to withhold a portion of the course fees, and are obligated to make the payment only upon passing the relevant examinations. We record a certain percentage of the course fees to be collected for postpaid contractual classes as contract assets based on the estimated passage rates and the service progress. See “Financial Information — Discussion of Major Balance Sheet Items — Contract Assets.” As of June 30, 2022, we had contract assets of RMB60.2 million, 100.0% of which had been collected as of October 31, 2022. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we generated revenue of nil, RMB228.1 million, RMB372.7 million, RMB302.5 million and RMB166.6 million from the postpaid contractual classes, respectively. We have implemented comprehensive internal protocols to ensure fee collection for our postpaid contractual classes. For students who have not made the payment after the examination results are released, we verify their performance promptly and send payment notifications to those who have passed the relevant examinations. Our customer service staff review payment records from time to time and closely follow up with students on payment status. For students who fail to make the payment after the due date, our legal department will take appropriate follow-up actions. During the Track Record Period, we experienced no significant impairment loss relating to postpaid contractual classes.

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The following table sets forth the paid enrollments of our tutoring courses by course type for the periods indicated.

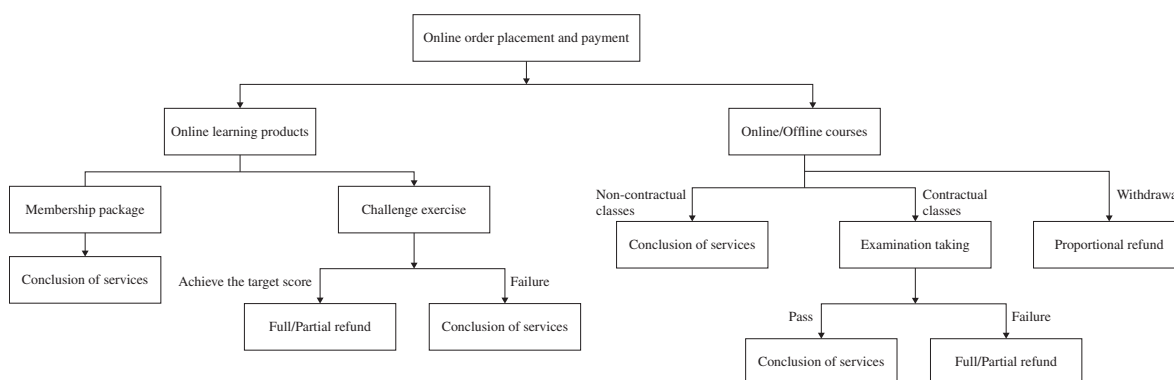
	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Contractual classes					
Online	21,000	19,100	58,400	23,900	32,500
Classroom-based	14,200	135,300	217,600	168,000	53,100
Subtotal	35,200	154,400	276,000	191,800	85,600
Non-contractual classes					
Online	4,952,800	6,831,400	6,846,200	3,709,200	2,445,800
Classroom-based	56,500	574,500	618,100	429,200	153,000
Subtotal	5,009,300	7,405,900	7,464,300	4,138,400	2,598,800
Total	5,044,500	7,560,300	7,740,300	4,330,200	2,684,400

The following table sets forth the revenue of our tutoring courses by course type for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
(RMB in thousands)					
(Unaudited)					
Contractual classes					
Online	37,889	69,608	124,483	69,130	67,895
Classroom-based	180,188	380,175	920,356	529,166	294,250
Subtotal	218,077	449,783	1,044,839	598,296	362,145
Non-contractual classes					
Online	560,391	756,419	1,124,729	520,571	561,142
Classroom-based	174,259	506,325	696,974	476,298	229,284
Subtotal	734,650	1,262,744	1,821,703	996,869	790,426
Total	952,727	1,712,527	2,866,542	1,595,165	1,152,571

In addition, students who purchased our “challenge exercise” product and achieved the target score within a prescribed period are eligible for a partial or full refund of the purchase price. See “— Online Tutoring — Online learning products.”

The following chart illustrates the simplified service and refund process of our tutoring services.



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As advised by our PRC Legal Advisors, as of the date of this prospectus, there are no specific requirements or restrictions on the course fee collection methods and/or standards applicable to our tutoring services under the current regulatory regime in China, and we have not breached or violated PRC laws and regulations by virtue of provision of refundable contractual classes.

Fenbi Smart Devices

We offer smart devices, including *Fenbi Smart Pen* and *Fenbi Smart Book*, to students subscribed for certain online premium civil servants examination tutoring courses as part of the course package. Our smart devices are developed and manufactured in collaboration with third parties based on our needs and requirements. *Fenbi Smart Pen* and *Fenbi Smart Book* are designed to work in pair with each other. As a student writes on the *Fenbi Smart Book* printed using dot matrix technology, *Fenbi Smart Pen*, equipped with pressure sensor and camera, can leverage OCR technology to automatically capture and convert the handwritings into data. The data are synchronized with our mobile apps via Bluetooth instantaneously, allowing the student to view his or her handwritings simultaneously. The handwritings are also uploaded to and stored on cloud servers concurrently, which enables the student to search and review his or her notes on demand. Moreover, the responsible tutor may review the inputs of the student on his or her device to track the learning progress, evaluate the learning effectiveness and leave targeted suggestions for improvement. In addition, our *Fenbi Smart Pen* is easily portable with only 20.5 grams in weight, which enables flexible learning anytime and anywhere. *Fenbi Smart Pen* is also equipped with a lithium polymer battery to support 16-hour continuous writing and 180-day standby. We believe that these smart devices facilitate the note-taking and reviewing process, which enhances a student's learning efficiency and productivity.

SALES OF BOOKS

With a content development team of 249 specialists as of June 30, 2022, we design and develop substantially all of the content on our platform in-house, including course curricula and textbooks and learning materials. See “— Research and Development — Content Development.” Our textbooks and learning materials have gained widespread popularity through, among others, word-of-mouth referrals by our existing students. As of the Latest Practicable Date, we had released over 900 textbooks and learning materials in collaboration with third-party publishing companies. During the Track Record Period and as of the Latest Practicable Date, we have engaged in publication distribution business, including wholesale, retail and online sales, and have obtained the License for Operating Publication Business for such publication distribution business. We have also obtained a License for Printing Operations for in-house printing activities. See “— Licenses, Permits and Approvals.”

We have implemented stringent internal control measures to monitor the editing, publication and distribution of our textbooks and learning materials. Our internal book publishing team is responsible for compiling and reviewing the book drafts and manuscripts furnished by our content development personnel to identify and resolve any issues with respect to content, structure, formatting, completeness and general compliance based on our internal protocols. The relevant drafts will then be submitted to collaborated third-party publishing companies for three rounds of review and editing, during which we will further polish the content, structure and formatting based on comments and suggestions from the publishing companies and submit the advanced drafts for internal quality control check. The publishing companies are also responsible for applying for the cataloguing in publication (CIP) and international standard book number (ISBN) to ensure our textbooks and learning materials to be published have the required authorization. Furthermore, we require that all physical textbooks and learning materials provided by us to our students shall be official publications with authorized book numbers, and that we shall not provide or otherwise make available to our students unauthorized or counterfeit physical publications. We have also assigned designated personnel to monitor our ongoing compliance with applicable PRC laws and regulations, and to review the qualifications of our business partners. Our PRC Legal Advisors are of the view that the relevant entities of our Group have obtained the required authorization to operate publication distribution business and that the third-party publishing companies we cooperate with have obtained the required authorization to operate publishing business.

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Revenue generated from sales of books during the Track Record Period was related to (1) standalone sales activities in relation to our textbooks and learning materials and (2) sales that accompany our tutoring services as part of the course package our students purchased. As to standalone sales, we primarily sell the textbooks and learning materials directly through major e-commerce platforms, and to a much lesser extent, through distributors comprising several third-party book sellers and one e-commerce company.

We entered into distribution arrangements with nine, nine, 13 and eight third-party book sellers in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Revenue generated under the distribution arrangements accounted for 0.9%, 1.1%, 1.3% and 2.0% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our relationship with these third-party book sellers is that of seller and buyer. Under the distribution arrangement, we sell textbooks and learning materials to third-party book sellers, which then sell to end-consumers on their own behalf. As such, we recognize revenue when the third-party book sellers accept the textbooks and learning materials upon delivery. The distribution agreement generally stipulates a fixed discount on the retail price as our sales price to distributors. The third-party book sellers are typically allowed to return unsalable textbooks and learning materials within a limited time period and with a cap of no more than 20% of the number purchased in the last order in a given period for each type of books, or for reasons of quality defects. The refund amount attributable to returned textbooks and learning materials by third-party book sellers in 2019, 2020, 2021 and the six months ended June 30, 2022 was RMB0.7 million, RMB0.5 million, RMB3.1 million and RMB1.1 million, respectively, representing a return rate of 5.8%, 2.0%, 5.8% and 3.0% for the same periods, respectively, which we believe was relatively low. Such amount was directly offset against the revenue for the relevant period. We generally require book sellers to return textbooks and learning materials within 30 days upon our approval of their return requests. We may then directly sell such returned textbooks and learning materials through major e-commerce platforms to minimize the disposal of obsolete inventory. We believe that such return policy allows us to better assess the market demand for our books and to dynamically adjust our production volumes. We also believe that such policy can help us build and nurture stable business relationships with third-party book sellers. Moreover, it is an industry norm for third-party book sellers to return books and learning materials within a specified time period and generally with a capped amount, according to the F&S Report.

We also entered into a consignment arrangement with an e-commerce company during the Track Record Period. Revenue generated under the consignment arrangement accounted for 0.3%, 0.3%, 0.2% and 0.1% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our relationship with the e-commerce company is that of principal and agent. Under the consignment arrangement, we sell textbooks and learning materials to the e-commerce company at a fixed discount on the retail price, which it then on-sell to its end-consumers. We recognize revenue generated from such e-commerce company when end-consumers confirm acceptance of their purchases. We are required to deliver in advance certain quantities of textbooks and learning materials to the e-commerce company at its designated locations at our cost. The e-commerce company is typically allowed to return unsalable textbooks and learning materials upon the expiration of the credit period. We are also obligated to accept returns from the end-consumers of the e-commerce company for reasons of quality defects. In addition, starting from January 1, 2020, we pay 6% of the annual sales amount to the e-commerce company pursuant to the renewed consignment arrangement, which are recognized as sales and marketing expenses. In 2020 and 2021, we incurred such expenses of RMB0.4 million and RMB0.5 million, respectively. We did not incur such expenses in the six months ended June 30, 2022, which will only be calculated and recognized upon the conclusion of the current calendar year pursuant to the consignment arrangement.

During the Track Record Period, to the best knowledge of our Directors, none of our distributors had any past or present relationship (business, employment or otherwise) with our Company, our subsidiaries, shareholders, directors, senior management or any of their respective associates, save for acting as our distributors. During the Track Record Period, we did not provide any advance or financial

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assistance to our distributors. To the best knowledge of our Directors, there is no other relationship or arrangement (family, financing guarantee or otherwise in the past or present) between each of our distributors.

OUR TEACHING STAFF

We have a dedicated team of teaching staff, including instructors and other supporting staff. We have implemented comprehensive measures, including selective hiring process, systematic continuing training, and competitive compensation packages based on rigorous on-going evaluation, to recruit, train and retain our teaching staff.

Our Instructors

We believe our high-caliber teaching staff form the backbone of our superior teaching quality. As of June 30, 2022, we had 3,796 full-time instructors with profound knowledge and experience in course subjects and effective teaching skills. The following table sets forth the number of our full-time instructors, the ratio of paid enrollments per instructor and the average revenue per instructor as of the dates and for the periods indicated.

	As of/for the year ended December 31,			As of/for the six months ended June 30,	
	2019	2020	2021	2021	2022
Number of instructors:					
Online tutoring courses . . .	114	2,665	2,502	2,908	2,649
Classroom-based tutoring courses	602	3,887	2,018	4,368	1,147
Total	716	6,552	4,520	7,276	3,796
Ratio of paid enrollments per instructor⁽¹⁾:					
Online tutoring courses . . .	61,404	4,930	2,673	1,340	962
Classroom-based tutoring courses	159	316	283	145	130
Average revenue per instructor⁽²⁾:					
Online tutoring courses (RMB)	7,386,173	594,478	483,535	211,628	244,239
Classroom-based tutoring courses (RMB).	794,724	394,965	547,783	243,601	330,827

(1) Calculated based on the paid enrollments of tutoring courses for the relevant period divided by the average number of full-time instructors for the same period. The average number of instructors for a certain period is calculated by adding the number of instructors at the beginning of the period and the number of instructors at the end of the period, divided by two. We had 338 instructors as of January 1, 2019, comprising 48 instructors for online tutoring courses and 290 instructors for classroom-based tutoring courses.

(2) Calculated based on the revenue of tutoring courses for the relevant period divided by the average number of full-time instructors for the same period.

The number of instructors increased significantly from 716 as of December 31, 2019 to 6,552 as of December 31, 2020 and further to 7,276 as of June 30, 2021 as a result of our offline expansion, launch of premium courses and business growth efforts. The number of our instructors decreased from 7,276 as of June 30, 2021 to 4,520 as of December 31, 2021 and further to 3,796 as of June 30, 2022, as we optimized our employee structure in 2021 and the first half of 2022 in an effort to improve our operational efficiency and profitability.

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The ratio of paid enrollments per instructor for our online tutoring courses decreased from 61,404 in 2019 to 4,930 in 2020, primarily because we expanded our teaching team to support the launch of our premium courses in June 2020, which features a relatively lower student-instructor ratio in order to deliver more individualized learning experience, as compared to systematic courses. For example, during the Track Record Period, our online systematic courses for written tests typically had an average of 1,000 to 4,000 students, while our online premium courses for written tests typically had an average of 20 to 400 students. The ratio of paid enrollments per instructor for our online tutoring courses continued to decrease to 2,673 in 2021, primarily due to the increased offering of our online premium courses. The ratio decreased from 1,340 in the six months ended June 30, 2021 to 962 in the six months ended June 30, 2022, primarily due to a decrease in the paid enrollments of our online promotional courses, which were 1.3 million in the six months ended June 30, 2022 as compared to 2.6 million in the six months ended June 30, 2021, in addition to the increased offering of our online premium courses. We believe our offering of online premium courses can effectively capture the demands of students who require more individual attention and targeted support, allowing us to increase our market share. The course fees of the online premium courses are generally higher than that of the online systematic courses on the same subject, and the revenue contribution of our online premium courses continuously increased during the Track Record Period. Meanwhile, although the average revenue per instructor for online tutoring courses decreased from 2019 to 2021 as we expanded our teaching team to support the launch and increased offering of our premium courses, such average revenue per instructor began to increase thereafter, despite the decrease in the ratio of paid enrollments per instructor for online courses, indicating the improved earning power of our business as a result of, in particular, our online premium courses.

The ratio of paid enrollments per instructor for our classroom-based tutoring courses increased from 2019 to 2020, primarily due to the significant growth of our offline paid enrollments, particularly following the launch of our offline classroom-based tutoring on a large-scale basis in May 2020. This ratio decreased slightly from 2020 to 2021, primarily because we had been expanding our offline teaching team in response to the increased demand for offline tutoring, which resulted in a significantly higher number of instructors at the beginning of 2021 as compared to the beginning of 2020. To effectively manage our growth and improve our profitability, we subsequently optimized our employee structure in 2021 and sought to increase the utilization and efficiency of our teaching staff going forward. The ratio of paid enrollments per instructor for our classroom-based tutoring courses decreased from 145 in the six months ended June 30, 2021 to 130 in the six months ended June 30, 2022, primarily due to the decreased paid enrollments of our classroom-based tutoring courses as a result of (1) the strategic adjustment of the scale of our offline coverage, and (2) the impact of the regional resurgence of the COVID-19 pandemic. The average revenue per instructor for classroom-based tutoring courses decreased from 2019 to 2020, primarily because we expanded our teaching team to support the launch of our classroom-based tutoring on a large-scale basis in May 2020. Such average revenue per instructor increased steadily thereafter, despite the decrease in the ratio of paid enrollments per instructor for offline courses, indicating the stable and sustained development of our offline operations.

The following table sets forth the movement in the number of our full-time instructors during the Track Record Period.

	Year ended December 31,			Six months
	2019	2020	2021	ended June 30, 2022
As of the beginning of the period	338	716	6,552	4,520
Recruitments	597	7,374	3,996	116
Departures	(219)	(1,538)	(6,028)	(840)
Net increase/(decrease)	378	5,836	(2,032)	(724)
As of the end of the period	716	6,552	4,520	3,796

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The turnover rate of our full-time instructors, as calculated by dividing the number of departed instructors in the relevant period by the average number of instructors at the beginning and end of the same period, was 41.6%, 42.3% and 108.9% for 2019, 2020 and 2021, respectively. As we substantially completed the optimization of our teaching team in 2021, the turnover rate of our full-time instructors decreased significantly to 20.2% for the six months ended June 30, 2022. We believe that such optimization had no adverse impact on the quality of our course offerings and our business operations in general. As the objective of our structure optimization was to improve our operational efficiency, we generally retrenched surplus instructors for our classroom-based tutoring services during this process based on comprehensive assessment of market demand and their respective performance indicators. Specifically, we selectively retained high-caliber instructors during the optimization process to improve our teacher utilization and maintain the quality of our courses. In addition, we have adopted a systematic and centralized content development approach to ensure consistent quality across our various offerings, and have placed continuing importance on the training and evaluation of instructors. We have also implemented incentive measures for other teaching staff of our offline tutoring services to ensure their service quality.

The following table sets forth a breakdown of our full-time instructors by education degree as of the dates indicated.

	As of December 31, 2021		As of June 30, 2022	
	Number of Instructors	% of Total	Number of Instructors	% of Total
Bachelor's degree or below ⁽¹⁾	3,515	77.8	2,984	78.6
Master's degree or above ⁽²⁾	1,005	22.2	812	21.4
Total	4,520	100.0	3,796	100.0

(1) Included 3,509 instructors with a bachelor's degree and six instructors with an associate's degree as of December 31, 2021, and 2,978 instructors with a bachelor's degree and six instructors with an associate's degree as of June 30, 2022.

(2) Included 1,003 instructors with a master's degree and two instructors with a doctorate degree as of December 31, 2021, and 810 instructors with a master's degree and two instructors with a doctorate degree as of June 30, 2022.

In addition to full-time instructors, we engage part-time instructors mainly during peak seasons in response to the increasing demand of our tutoring services. We primarily engage part-time instructors through outsourcing companies. See “— Employees.”

Recruitment

We implement a highly selective hiring process to recruit instructors with robust skillsets and diverse backgrounds. The recruitment process for our instructors normally consists of résumé screening, written test, in-person interview, onboarding training and trial class, in order to assess the candidates thoroughly based on our recruitment criteria. We recruit both college graduates and experienced instructors from other educational institutions with proven teaching records. We recruit new instructors from time to time to ensure that we have sufficient teaching resources to support our business growth. Under applicable PRC laws and regulations, our instructors and other teaching staff are not required to hold any specific certification or qualification.

Training and quality assurance

We generally require newly hired instructors to undergo a systematic onboarding training session on education content, teaching skills and professional ethics. To ensure the quality of our course delivery, newly hired instructors are generally assigned to less challenging courses that are distributed at a limited scale or less challenging positions to serve as tutors, which allows them to hone their teaching skills before delivering courses to large-class students in a live format. We also require our instructors to participate in various more in-depth continuing training programs focusing on education

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content and teaching skills to continuously refine teaching quality. Our on-going training also ensures that our instructors stay up to date with changes in student needs, admission standards, testing materials, examination requirements and other key industry trends. For example, our content development team will make teaching suggestions to our instructors on a routine basis leveraging their close attention to evolving industry trends and admission standards. We also organize annual training sessions on content development according to the examination cycle to execute content updates and facilitate our content development efforts based on firsthand teaching experience.

To ensure teaching quality and consistency across classrooms, our instructors must adhere to the curriculum requirements and use in-house designed course materials. We require our instructors to fully prepare for each class session, which generally includes formulating detailed teaching framework, reviewing courseware and other course materials, and staying familiar with local examination requirements. We also require them to pay close attention to students' reactions and queries during class, and review their feedback after class to make necessary or desirable teaching adjustments. We assign senior or supervisory instructors to help review the in-class performance by junior instructors.

Evaluation, compensation and retention

We have established a centralized system to manage and oversee instructor management evaluation activities, with tiered discretion at each level. For online tutoring, we generally group our instructors by course subject. For classroom-based tutoring, we generally group our instructors by geographical area.

We regularly evaluate our instructors for their in-class performance and teaching results. We typically consider a number of performance indicators and qualitative factors, including class hours, working attitudes, teaching and content development capabilities, and the number of student complaints and teaching incidents. We also solicit student feedback on the courses taken and the presiding instructors, which will affect the retention, compensation and promotion of our instructors. We rank our instructors into different levels primarily based on their teaching hours and performance, with tiered compensation packages. The number of our top-rated full-time instructors was less than 5% of the total number of full-time instructors at the end of each period during the Track Record Period. As such, the class hour contribution and, accordingly, the revenue contribution by our top-rated instructors only accounted for a relatively small proportion of our overall performances. As a result, we believe we have not placed, and will not place in the future, significant reliance on our top-rated instructors. We instead ensure our overall teaching quality through comprehensive teaching staff management measures and centralized content development efforts.

We have implemented various measures to retain our teaching resources. We offer our instructors competitive compensation packages and prospects of career advancement within us. For example, we offer them opportunities to oversee teaching, content development and instructor training matters for a specific subject, or the daily management activities of our offline operational hubs, which we believe serves to enhance their loyalty to us. In addition, we may reward high-performing instructors with promotion and publicity opportunities to gain more esteem among students.

Other Teaching Staff

For our premium courses, we assign professional tutors, each responsible for one specific key subject in the examination syllabi, to attentively reach out to students at each stage of their learning process. They assist instructors in attending to students' queries during and after class, guiding students through their after-class exercises, monitoring the progress of their learning plans and communicating with and motivating them. See “— Our Tutoring Services — Online Tutoring — Online tutoring courses.” We primarily seek tutor candidates who have demonstrated a strong sense of responsibility, as well as good communication skills and learning capability. We provide our newly hired tutors with an orientation program and on-the-job training sessions. Specifically, we train our tutors to attend to students' inquiries and address their personalized learning needs to help cope with the challenges

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during their studies. We have an on-going review mechanism, in conjunction with any feedback received from our students, to assess our tutors' job performance. We offer our tutors competitive compensation packages and career advancement opportunities. In addition, we engage other supporting staff who are mainly responsible for student administration and class monitoring, guiding students through the examination registration process.

RESEARCH AND DEVELOPMENT

Robust R&D capabilities are at the core of our competitiveness. We have devoted, and will continue to devote, great resources in our R&D efforts. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, we incurred research and development expenses of RMB104.1 million, RMB124.4 million, RMB287.0 million, RMB111.7 million and RMB85.3 million, respectively.

Our R&D Team

As of June 30, 2022, we had a R&D team of 349 members, representing 4.7% of our total employees as of the same date. The following table sets forth a breakdown of our research and development team by function as of June 30, 2022.

Function	As of June 30, 2022	
	Number of Employees	% of Total
Content development ⁽¹⁾	249	71.3
Technological development	100	28.7
Total	349	100.0

⁽¹⁾ In addition to our content development personnel, certain of our teaching staff participate in our content development activities from time to time, leveraging their frontline teaching experience.

The following table sets forth a breakdown of our technological development team by education degree as of June 30, 2022.

	As of June 30, 2022	
	Number of Employees	% of Total
Bachelor's degree or below ⁽¹⁾	39	39.0
Master's degree or above ⁽²⁾	61	61.0
Total	100	100.0

⁽¹⁾ Include 36 employees with a bachelor's degree, two employees with an associate's degree and one employee with a high school diploma.

⁽²⁾ Include 60 employees with a master's degree and one employee with a doctorate degree.

We are committed to recruiting new talents to join our R&D team. We seek to hire R&D personnel with experience in the relevant fields. We attract new R&D talents by offering competitive compensation packages, career development opportunities and trainings designed to enhance their technical skills and professional knowledge.

Content Development

With a dedicated content development team of 249 specialists as of June 30, 2022, we in-house design and develop substantially all of the content on our platform, including course curricula and materials, to provide an integrated learning experience for our students.

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We have adopted a systematic and centralized content development approach to ensure consistent quality across our various offerings. We regularly update our course materials to react to the evolving market demands and learning preferences. Most of our seasoned content development specialists routinely participate in teaching activities and closely monitor the requirements in recruitment and qualification examinations to ensure our course curricula and materials are relevant and up to date. We also study previous year's examinations questions once published to update our question bank and course materials. At the end of the course, we evaluate, update and improve course curricula and materials based upon feedback from our instructors and students as well as student performance in their examinations. We generally update our courses according to the examination cycle in response to the latest examination requirements. For example, we update our courses for the Civil Servants Examinations once a year to track the annual updates on the examination syllabi.

Moreover, we from time to time develop new courses to capture the unmet market demands in emerging areas. We typically determine whether to initiate a new course design based on extensive research and analysis. We carry out market surveys to understand students' demands and existing products of similar kind on the market, and conduct various feasibility evaluations. Our new courses, with the accompanying course materials, typically undergo multiple rounds of internal review before final launch. We generally pilot test new courses at a limited scale for an examination cycle and make adjustments based on the feedback before they are broadly released. For example, we first launched our online premium courses targeting the interview test of the Civil Servants Examination in January 2021 specifically for Regional Civil Servants Examination at Jiangsu Province and Shandong Province where the interview tests are held relatively earlier compared to other provinces. These pilot courses were proven to be successful with over 1,000 paid enrollments. We then launched the course nationwide in April 2021 prior to the interview tests for Regional Civil Servants Examination of other provinces.

We believe our centralized approach for content development allows us to apply consistent practice across our network. With abundant teaching experience and learning behavior data, we have developed a comprehensive suite of standardized course curricula and materials, which could be utilized with minimal adjustment at lower costs as we scale up our operations. These course curricula and materials can be easily tailored to adapt to local test materials and admission standards, or students' learning ability as well as their strengths and weaknesses. We have also established an internal knowledge base with collective experience and knowledge on course delivery and materials to help navigate common issues.

Technological Development

As of June 30, 2022, we had a technological development team of 100 professionals, approximately 61.0% of whom holding a master's degree or higher. The members of our technological development team possess expertise spanning a broad range of related fields, from big data analytics, artificial intelligence, video recording and streaming, cloud computing to operational and infrastructure maintenance. We thereby have built proprietary Fenbi online platform and enabled advanced technological applications. See “— Our Tutoring Services — Online Tutoring — Online learning products,” “— Our Tutoring Services — Online Tutoring — Fenbi online platform” and “— Our Technology Infrastructure and Applications” for details.

OUR TECHNOLOGY INFRASTRUCTURE AND APPLICATIONS

Technology underpins our success. We have prompted the application of advanced RTC, big data, artificial intelligence, OCR and cloud technologies in the industry, which refines and transforms the traditional industry landscape, making quality tutoring services more accessible and efficient. We have consistently invested in technological development, which we believe have contributed to our sustained success and reinforced our market leadership.

Our Technology Infrastructure

Real-time-communications

We have purposefully designed and developed our RTC video system to address the pain points of China's online career test preparation industry. Effective online tutoring requires multi-way, real-time interactions among instructors and students, which is significantly more complex than one-way course delivery only by instructors. The demand for robust RTC capability can be more prominent in the online career test preparation industry, considering that career test preparation services target adult students who are generally more sophisticated and with more determined learning goals as compared to students of other types of online tutoring services, and therefore have heightened requirements for real-time interactive learning experiences. As a result, online career test preparation courses are generally scheduled intensively towards the examination day, which imposes greater pressures on the RTC infrastructure.

As the cornerstone of Fenbi online platform, our in-house developed RTC technology allows students to attend live courses and stream recorded courses seamlessly. We have developed an RTC video system by internal efforts to ensure high-resolution, low-latency content transmission experience. We believe such in-house developed system allows for more flexibility in our operations, as compared to those who leverage third-party video systems, we are able to conduct targeted system development swiftly in response to the evolving industry trends and market demands. Moreover, we can identify and address network lag and latency issues intelligently and independently, which enables timely troubleshooting and system maintenance to ensure user experience and engagement. Our RTC technology also provides the following key features.

- *Low latency.* Based on industry-recognized standard RTC protocols, our video system minimizes jitter and latency. Our system can dynamically select the optimal network node close to where end-users are located automatically to safeguard the "last-mile" transmission and achieve consistently high performance. Moreover, we enable stable, smooth and high-quality course delivery even in remote areas with weak network connections, as our in-house developed RTC monitoring system can assess video quality in real time, and automatically search for and connect to the access point with the strongest network connections or adapt the quality of video sources to network conditions. We also cache audio data and key frames of video sources before the first time of play to minimize latency.
- *High concurrency.* We enable industry-leading video stability and capacity that can support live large-class courses with a latency below 500 milliseconds for over 100,000 students in one class, according to the F&S Report.
- *Broad compatibility and great stability.* In addition to traditional live courses and recorded courses, our system also supports innovative use cases, such as mock interviews and interactive dual-teacher courses each staffed with one instructor and multiple tutors. Our system also features compatibility across the devices, enabling seamless learning experience. Furthermore, our system detects packet loss and performs retransmissions automatically to ensure stability.
- *High audio and video quality.* Leveraging our in-house developed technologies, we capture and synchronizes multiple audio streams, allowing interactions among instructors and students under varying network conditions and device configurations and across distant geographical areas. We pre-process outbound raw video and audio streams to reduce noise and echo, and enable instructors and students to add beautification, virtual background or other special effects to live video streams. We also post process inbound streams to compensate jitters and package losses and optimize audio and video quality. Moreover, to

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enable smooth video experience, we use industry-leading encoding and decoding technologies to compress audio and video streams before transmission and decompress the stream thereafter.

Big data analytics

Supported by a unified user registration and login portal, Fenbi online platform has accumulated 50 terabytes of comprehensive data points sorted by over 270 labels, primarily concerning course subjects and user behaviors, such as learning behaviors and preferences, and learning patterns and results with which we have established an integrated data platform to analyze and predict learning behaviors and preferences. We have built strong data analytics capability based on various algorithms, models and data analytics tools. The integrated data platform has generated valuable data-driven insights to guide our course development, optimization of question bank, content recommendation, product launches, and strategic growth initiatives.

Artificial intelligence

We have applied various artificial intelligence technologies in our business operations. With robust text recognition, natural language processing and deep learning technologies, we have developed an automated essay grading system which grades essay questions with precision and assesses students' knowledge base and eloquence to provide suggestions for improvement. We also leverage AI technologies to automatically sort courses and arrange the display order, enabling a more user-intuitive interface and therefore more appealing online course shopping experience. Other than the optimization of product offerings and user experience, by automating certain repetitive tasks that used to be completed manually by employees, the application of AI technologies also helps us improve productivity and save labor costs. For example, we have implemented an AI-based content monitoring system to detect and screen improper or illegal content in an automated process to ensure full compliance with applicable laws and regulations.

Optical character recognition

Leveraging advanced OCR technology, we have designed a photo-based question search engine capable of detecting and extracting data from printed texts, cursive handwriting, complicated mathematical formula and geometric patterns featured in photos in a speedy and accurate manner. OCR also supports our smart devices in capturing and converting the handwritings into data.

System infrastructure

We have developed a reliable infrastructure to ensure high network capacity and scalability. We currently exclusively utilize third-party cloud service providers in China to host our network infrastructure. Our cloud-based infrastructure is able to support massive concurrent requests. For example, our architecture enables over 100,000 students to attend one single live course and over 300,000 students to take mock examinations at the same time, which denotes industry-leading capacity and stability, according to the F&S Report. Moreover, benefiting from the use of cloud technology, we can scale up our infrastructure easily as we expand without significant hardware investment or system downtime. We have developed technologies in-house to support system construction, operation and maintenance. For example, we have developed a proprietary data collection and processing methodology to reduce redundant data and free up system storage space, therefore optimizing data processing efficiency and saving associated technical expenses. We also have our own information technology technicians in charge of platform development and operation maintenance to identify and resolve technical issues in a timely manner.

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Our Technology Applications

Photo-based question search engine

In April 2020, we launched the first photo-based question search engine with a full subject coverage in China's recruitment examination tutoring industry supported by our strong OCR technologies, according to the F&S Report. The search engine allows students to use photographs of printed texts, or even cursive handwriting, complicated mathematical formula and geometric patterns, to locate answers in our comprehensive question bank.

Automated essay grading

In January 2014, we launched our automated essay grading system by leveraging robust text recognition, natural language processing and deep learning technologies. In addition to grading essay questions with precision, our automated essay grading system helps assess students' knowledge base and eloquence to provide suggestions for improvement. We had established a large pool of 10,800 essay questions with well-structured sample answers and grading guidance, and had served an accumulation of over 120.3 million users as of June 30, 2022. The massive behavioral data being processed in turn enables us to further train our AI engine to develop more systematic grading criteria and generate more reliable grading results. To date, the automated essay grading system has achieved a precision rate comparable to experienced instructors.

Grade prediction

In September 2013, we developed our grade prediction system. Leveraging intelligent algorithms, we are able to accurately predict students' grades when they take the examinations and adjust such predictions dynamically based on learning progress by analyzing learning data such as in-class performance and after-class exercise results on an on-going basis.

Intelligent content recommendation

In March 2018, we developed our intelligent content recommendation system, which can formulate targeted learning topics and learning plans catering to students' diverse situations to optimize the effectiveness of learning. For example, through our data-driven algorithms, we can track a student's learning behaviors and outcomes and recommend supplemental exercises to such student based on an in-depth analysis of areas for improvement and the identification of the commonalities among wrong answers to questions in terms of difficulty levels.

BRANDING AND MARKETING

We primarily employ the following branding and marketing methods.

- *Word-of-mouth referrals.* We believe the single greatest contributor to our success in student recruitment has been word-of-mouth referrals by our existing students who share their learning experiences and examination results with, and recommend our tutoring services to, others in their network, such as friends, family members, or colleagues. Our recruitment through word-of-mouth referrals has enjoyed a strong network effect with the rapid growth in our student base and benefits from our strong reputation and outstanding performance by our students. As evidenced by the F&S Survey, among the survey participants who purchased our services and products, 47.5% of them were recommended by their classmates and friends, and 93.6% of them would recommend our products and services to other people. We do not adopt any customer referral programs where cash incentives are provided for students' voluntary recommendations to other people. We may, in some circumstances, provide nominal gifts, such as pens, notebooks and cushions, to existing students who have

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introduced their friends, family members or colleagues to purchase our services if we become aware that the new students purchase our courses due to their acquaintances' recommendations.

- *Fenbi online platform.* With a number of innovative online learning products and toolkits, Fenbi online platform has contributed significantly to enhancing our brand awareness. For example, our online question bank and online mock examination system are accessible to all interested users, which have helped us attract significant user traffic. The community feature of Fenbi online platform also facilitates direct and frequent communications with prospective students, effectively lowering our student recruitment costs.
- *Direct sales force.* Our sales and marketing team is generally responsible for engaging with prospective students, recommending targeted courses and identifying cross-selling and up-selling opportunities. We also have dedicated personnel responsible for pre-examination consultation and advisory services, such as sharing examination information and examination preparation materials, and providing targeted guidance on course selection and job selection. As part of our go-to-market strategy, our offline operational hubs nationwide are equipped with sales personnel to stay closer to potential students and capture and accommodate localized needs more effectively.
- *Offline events.* We may participate in various industry events for branding and student acquisition purposes. We also collaborate with select local universities to promote our brand and services. For example, we have organized various introductory classes, experience sharing seminars and offline mock examinations in universities in Beijing.
- *Social media platforms.* We actively promote our services and attract new students on various social media platforms, such as Weixin and Weibo. For example, through our official accounts on social media platforms, we distribute examination information and examination preparation materials for free to attract user traffic. In addition, we conduct promotional activities and place online advertisements on social media platforms from time to time. In 2019, 2020, 2021 and the six months ended June 30, 2022, we paid approximately RMB1.5 million, RMB0.5 million, RMB2.5 million and RMB0.5 million to social media platforms and other third parties for related marketing services, respectively.

The following table sets forth our customer acquisition cost, as measured by selling and marketing expenses per paid enrollment, for the periods indicated.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
Selling and marketing expenses per paid enrollment	19.5	42.1	72.0	70.3	61.4

As advised by our PRC Legal Advisors, while we shall comply with the general requirements of the Advertising Law and other related rules and regulations in conducting marketing activities, which apply to advertising by all businesses, there has been no specific restrictions and requirements on marketing activities by non-formal VET service providers, including us. During the Track Record Period and up to the date of this prospectus, we have not received any inquiries from government authorities in relation to our sales and marketing activities that would have a material adverse effect on our business, results of operations and financial condition.

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OUR CUSTOMERS AND SUPPLIERS

Our Customers

Our customers include primarily our students and, to a much lesser extent, third-party book vendors who purchased our textbooks and learning materials.

Revenue generated from our top five customers in each year/period during the Track Record Period accounted for 1.1%, 1.2%, 1.6% and 2.8% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, and revenue generated from our largest customer in each year/period during the Track Record Period accounted for 0.4%, 0.6%, 0.5% and 0.9% of our total revenue in the same periods, respectively.

As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five customers.

Our Suppliers

Our suppliers primarily include suppliers for paper, third-party vendors for human resource services, publishing services, printing services, marketing services and information technology services, as well as providers of the premises we occupy for our classroom-based tutoring. We select our suppliers based on the quality and prices of their supplies and our business needs. Purchase from our top five suppliers in each year/period during the Track Record Period accounted for 49.0%, 31.9%, 16.6% and 22.2% of our total purchases in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, and purchase from our largest supplier in each year/period during the Track Record Period accounted for 14.7%, 13.3%, 4.1% and 8.2% of our total purchases in the same periods, respectively. The following table sets forth certain information of our top five suppliers during the Track Record Period.

Supplier	Transaction amount (RMB in millions)	Percentage of total purchases (%)	Approximate length of relationship as of the Latest Practicable Date (Years)	Principal business
<i>For the year ended December 31, 2019</i>				
Supplier A	91.6	14.7	two	labor outsourcing service
Supplier B	78.2	12.6	five	paper sales
Supplier C	58.9	9.5	seven	printing service
Supplier D	41.5	6.7	seven	logistics service
Supplier E	34.3	5.5	two	enterprise management consulting and service
Total	304.5	49.0		
<i>For the year ended December 31, 2020</i>				
Supplier F	204.4	13.3	one	labor outsourcing service
Supplier C	97.8	6.3	seven	printing service
Supplier B	93.4	6.1	five	paper sales
Supplier D	48.3	3.1	seven	logistics service
Supplier G	48.2	3.1	three	paper sales
Total	492.1	31.9		

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Supplier	Transaction amount	Percentage of total purchases	Approximate length of relationship as of the Latest Practicable Date	Principal business
	(RMB in millions)	(%)	(Years)	
<i>For the year ended December 31, 2021</i>				
Supplier B	84.7	4.1	five	paper sales
Supplier H	84.1	4.1	two	labor outsourcing service
Supplier G	78.3	3.8	three	paper sales
Supplier C	50.9	2.5	seven	printing service
Supplier I	41.6	2.0	one	labor outsourcing service
Total	339.6	16.5		
<i>For the six months ended June 30, 2022</i>				
Supplier J	46.4	8.2	four	paper sales
Supplier G	23.4	4.1	three	paper sales
Supplier K	20.1	3.6	three	publishing service
Supplier L	19.8	3.5	one	human resource service
Supplier M	16.0	2.8	less than one	human resource service
Total	125.7	22.2		

As of the Latest Practicable Date, none of our Directors, their close associates or any shareholders which, to the best knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, had any interest in any of our top five suppliers.

We provided an interest-bearing loan to Supplier C, which had been fully repaid in August 2020. See “Financial Information — Discussion of Major Balance Sheet Items — Prepayment and Other Receivables.” We provided the loan to Supplier C in connection with its purchase of new printing equipment to ensure its timely and appropriate provision of printing services to us. According to the loan agreement entered into on July 20, 2016, the principal amount of the loan was RMB5.0 million with an interest rate of 8% per annum and an initial due date of January 20, 2017. The due date was subsequently extended and the interest rate was adjusted to 6% per annum starting from July 19, 2019. According to the Provisions of the Supreme People’s Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the “Private Lending Regulations”), the financing activity between enterprises is an act of “private lending.” For private lending agreements concluded between enterprises for production and business operations, people’s courts shall support claims regarding the validity of private lending agreements, except for the circumstances stipulated explicitly in the Civil Code and those specified in Article 13 of the Private Lending Regulations. As advised by our PRC Legal Advisors, according to the relevant loan agreement and based on their inquiries into the transaction details with our Company, the arrangement is a private lending agreement concluded for production and business operations, and there is no indication of circumstances as stipulated in the Civil Code and specified in Article 13 of the Private Lending Regulations that causes the agreement to be invalid nor any dispute between the relevant parties regarding the arrangement. In addition, the annual interest rate of 8% under the agreement does not violate the relevant explicit provisions of the Private Lending Regulations.

Going forward, we do not intend to continue to provide financial assistance to our suppliers, including Supplier C. Our Directors confirm that, there have been no other past or present relationships (including, without limitation, business, shareholding, employment, family, trust, financing, fund flows or otherwise) between (1) Supplier C, its shareholders, directors, senior management or employees, or any of their respective associates, and (2) our Company, its subsidiaries, their shareholders, directors, senior management or employees, or any of their respective associates. Our Directors also confirm that our contract terms with Supplier C regarding our purchase of its services are no different than those

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entered into with other similar suppliers. Except for the loan, to the best knowledge of our Directors, our Company, our subsidiaries, shareholders, directors, senior management or any of their respective associates had no other relationship or arrangement (family, financing guarantee or otherwise in the past or present) with each of our top suppliers.

Overlapping of Customers and Suppliers

Our Directors confirmed that except for Supplier K who was also one top five customer in 2021 and the six months ended June 30, 2022, none of our major customers was our major supplier during the Track Record Period. Supplier K engaged us for printing services, and we engaged Supplier K to publish our books. Negotiations of the terms of our sales to and purchases from this company were conducted on an individual basis, and the sales and purchases were neither inter-connected or inter-conditional with each other. Revenue generated from Supplier K as a percentage of our total revenue was 0.2% in 2021 and 0.8% in the six months ended June 30, 2022. The services purchased from it as a percentage of our total purchases was 0.4%, 0.9%, 1.5% and 3.6% in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively. Our Directors confirmed that all of our sales to and purchases from this company were conducted in the ordinary course of business under normal commercial terms and on arm's length basis.

SEASONALITY

The timing at which students purchase our tutoring courses and learning products is subject to seasonal fluctuations in relation to the examination cycle. For example, the written tests of the National Civil Servants Examination are normally held in November or December of a year and the interview tests are normally held in February or March of the following year. As for the Regional Civil Servants Examination, the written tests and the interview tests (following the announcement of the written test results) are normally held in the first half of a year. The timing at which students submit refund requests is also subject to the release schedule of the examination results, and typically follows the release of the results. The movement of our refund liabilities and liquidity position may, accordingly, be subject to seasonal fluctuations. As a result, our operating and financial metrics for an interim period may not be representative of our overall performance. See "Risk Factors — Risks Relating to Our Business and Industry — Our business is subject to seasonal fluctuations."

COMPETITION

We operate in a rapidly changing and highly competitive industry. We face existing and potential competition with major career test preparation service providers and other education companies. See "Industry Overview" for details about the competitive landscape.

We believe our principal competitive advantages include the following:

- well-established online platform and innovative technology capability;
- breadth and quality of our course offerings and accompanying services and products;
- a dedicated team of teaching staff;
- our research and development capabilities;
- overall student experience; and
- our brand recognition.

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We believe we are well-positioned to effectively compete on the basis of the factors listed above. However, some of our current or future competitors may have longer operating histories, greater brand recognition or more financial resources than we do. See “Risk Factors — Risks Relating to Our Business and Industry — We face intense competition, which could divert students to our competitors and lead to pricing pressure and loss of market shares.”

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisors have advised that during the Track Record Period and up to the Latest Practicable Date, save as disclosed in “— Licenses, Permits and Approvals,” we had obtained all licenses, permits, and approvals necessary to conduct our operations in all material respects from the relevant government authorities in China, and such licenses, permits, approvals and certificates remained in full effect.

The following table sets out a list of material licenses, permits, and approvals currently held by us.

License/Permit	Holder	Granting authority	Latest grant date	Expiry date
Value-added Telecommunications Business Operating License for Internet Information Service . . .	Fenbi Bluesky	Beijing Communications Administration	August 5, 2022	August 5, 2027
License for the Production and Operation of Radio and Television Programs.	Fenbi Bluesky	Beijing Municipal Radio and Television Bureau	September 15, 2022	September 15, 2024
License for Operating Publication Business ⁽¹⁾ .	Fenbi Bluesky	Chaoyang District Bureau of Press and Publication, Beijing	September 29, 2022	September 29, 2028
	Tianxia Culture	Beijing Municipal Bureau of Press and Publication	August 4, 2022	April 30, 2028
	Tianxia Education	Chaoyang District Bureau of Press and Publication, Beijing	June 20, 2022	April 30, 2028
	Beijing Shengshi Jintu Culture Communication Co., Ltd. (北京盛世金圖文化傳播有限公司)	Beijing Municipal Bureau of Press and Publication	August 2, 2022	April 30, 2028
Private School Operating Permit	Yuxi Bilan Education Training School Co., Ltd. (玉溪筆藍教育培訓學校有限公司)	Hongta District Bureau of Education and Sports, Yuxi	February 2022	February 2025
	Diqing Bilan Education and Training Co., Ltd. (迪慶筆藍教育培訓有限公司)	Shangri-La Bureau of Education and Sports	June 28, 2021	June 28, 2026
License for Printing Operations	Lancai Tianxia	Shandong Province Bureau of Press and Publication	March 30, 2021	December 31, 2025

(1) According to the Administrative Regulations on Publication (2020 revised) (出版管理條例) promulgated by the State Council, effective on November 29, 2020, publication activities include publishing, printing or reproduction, import and distribution of publications; and pursuant to the 2021 Negative List, editing, publishing and production of publications are subject to foreign investment prohibitions. During the Track Record Period and as of the Latest Practicable Date, we have engaged in publication distribution business, including wholesale, retail and online sales, and have obtained the License for Operating Publication Business for such publication distribution business; however, we have not engaged in editing, publishing or production of publications. We cooperate with independent third-party publishing companies with publishing qualifications and engage such publishing companies to edit and publish relevant learning reference materials created by us. Our PRC Legal Advisors are of the view that the publication distribution business of the Group (including the Group’s License for Operating Publication Business) and the Group’s cooperation with independent third-party publishing companies with publishing qualifications are not subject to foreign investment restrictions or prohibitions and therefore are not included under the Contractual Arrangements.

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AVSP

The Audio-Visual Regulations requires any entity engaged in certain audio-visual program services via the internet to hold an AVSP. However, due to the vague definition of “audio-visual program services,” there was uncertainty as to whether our online tutoring services fall within the definition and whether we are required to obtain the AVSP. For example, on January 8, 2019 and May 22, 2020, in the Q&A section of its website, Beijing Radio and Television Bureau confirmed that online tutoring shall not be subject to the AVSP requirement. Due to such uncertainty of regulatory requirement on online tutoring, we were not explicitly required to obtain an AVSP when we commenced our online tutoring business. Furthermore, there remain uncertainties regarding the rapidly evolving regulatory practices. As of the date of this prospectus, only wholly state-owned or state-controlled enterprises are eligible to apply for the AVSP, according to the Audio-Visual Regulations. As a result, we have not been able to obtain an AVSP as we are not a wholly state-owned or state-controlled enterprise.

We were imposed a fine of RMB3,000 by the Cultural Market Administrative Law Enforcement Department of Beijing Municipal (北京市文化市場綜合執法總隊) (the “Department”) in December 2019 for lack of an AVSP. However, with the promulgation and revision of relevant laws and regulations, the regulatory trend of government departments on related businesses may evolve. Accordingly, regulatory practices of relevant competent authorities may change from time to time. Therefore, based on the recent confirmations by the relevant competent authorities, such incident has no material implication on our business operations under the current regulatory regime. As advised by our PRC Legal Advisors, according to an on-site interview with the NRTA on February 22, 2022, the regulations and policies for private enterprises to conduct audio-visual business are being formulated and have not yet been promulgated, and in practice, many private enterprises engaging in the internet audio-visual business have not obtained the AVSP or complete the registration procedure. The NRTA further confirmed that we are currently not required to terminate our operations relating to audio-visual program services, or subject to administrative penalties for such operations without an AVSP under the current regulatory regime (the “NRTA’s Confirmation”). As advised by our PRC Legal Advisors, the NRTA, as the highest-level competent authority of radio, film and television in China under the State Council, is the competent authority for regulating internet audio-visual program services and is responsible for approving the AVSP and supervising business activities related to internet audio-visual program services. Therefore, the NRTA is a competent government authority to interpret the current regulatory regime and provide the relevant confirmation. As further advised by our PRC Legal Advisors, the relevant interviewee is competent to provide such confirmation.

Furthermore, the Department confirmed during an on-site interview on June 17, 2022 that the administrative fine in 2019 did not constitute a material administrative penalty, and that it will not impose any administrative penalties on us for our operations without obtaining an AVSP and completing the registration procedure under the current regulatory regime (the “Department’s Confirmation”). As advised by our PRC Legal Advisors, the Department and the interviewee are competent to provide such confirmation. As of the Latest Practicable Date, the administrative fine has been fully paid, and the Department has not initiated additional administrative inquiries, investigations, penalties or other proceedings since then.

As a result, as advised by our PRC Legal Advisors, according to the interviews with the relevant regulatory authorities, the administrative penalty in 2019 would not undermine the authority of the NRTA’s Confirmation. Based on the Department’s Confirmation and the NRTA’s Confirmation, our PRC Legal Advisors are of the view that, under the current regulatory regime, the risk that we are required to terminate our operations relating to audio-visual program services or subject to further administrative penalties for such operations without an AVSP is remote. Having considered the foregoing, our Directors believe that the fact that we have not obtained an AVSP for the related business operations would not have a material adverse effect on our business, results of operations or financial condition or the Global Offering.

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Online Publishing Service License

As advised by our PRC Legal Advisors, according to the interview with Beijing Municipal Bureau of Press and Publication on February 12, 2022, we are not required to obtain an Online Publishing Service License to conduct online tutoring services, including the provision of audio and video courses and course materials through our Fenbi online platform. As confirmed by our PRC Legal Advisors, Beijing Municipal Bureau of Press and Publication and the interviewee are competent to provide such confirmation as Beijing Municipal Bureau of Press and Publication is responsible for conducting pre-requisite examination of an enterprise's application to carry out online publishing services in Beijing City, including us, and has the authority to determine whether our business constitutes online publishing services and whether we are required to apply for an Online Publishing Service License.

Private School Operating Permit

It remains unclear under the 2021 Revised Regulations as to whether and how a career test preparation service provider such as us, especially in relation to our online tutoring services, needs to comply with the operating permit requirement. As advised by our PRC Legal Advisors, according to our on-site interview with the MOE on February 14, 2022, being the competent governmental authority to provide such confirmations, we are not required to obtain the approval from the relevant education regulatory authorities for the establishment of non-formal education and training institutions targeting adult students or obtain a private school operating permit for our tutoring services. In practice, only a few education regulatory authorities in certain areas used to require us to obtain a private school operating permit for our offline tutoring services, and we had obtained such permit accordingly. As of the date of this prospectus, we have obtained private school operating permits for our offline operations in Diqing Tibetan Autonomous Prefecture, Yunnan Province and Yuxi City, Yunnan Province, as previously required by local regulatory authorities. These regulatory authorities, including Education and Sports Bureau of Shangri-La City, Diqing Prefecture (迪慶州香格里拉市教育體育局) and Education and Sports Bureau of Hongta District, Yuxi City (玉溪市紅塔區教育體育局), have confirmed in interviews on May 13, 2022 and May 19, 2022, respectively, that the current regulatory practice no longer requires such permit for the operation of non-formal education and training institutions targeting adult students. As advised by our PRC Legal Advisors, the relevant local governmental authorities and interviewees are competent to provide such confirmations. As such, our Directors believe that, in the absence of significant changes in regulatory requirements, the fact that we have not obtained private school operating permits for the related business operations in most areas would not have a material adverse effect on our business, results of operations and financial condition.

As advised by our PRC Legal Advisors, according to the interviews with the relevant regulatory authorities, as we would not be required to terminate our operations for lack of AVSP, Online Publishing Service License and private school operating permits, there would be no material financial or operational impact on our Group, according to PRC laws and regulations.

For details of the related risk, see “Risk Factors — Risks Relating to Our Business and Industry — We face uncertainties with respect to the development of regulatory requirements on operating licenses, permits and approvals for our operations in China. If we fail to obtain or renew requisite licenses, permits or approvals in a timely manner or obtain newly required ones due to adverse changes in regulations or policies, it could have a material adverse effect on our business, results of operations and financial condition.”

DATA PRIVACY AND SECURITY

We are committed to protecting our users' data and privacy. To that end, we implement strict protocols on data collection, transmission, storage and usage, and have technologies and systems in place to safeguard against unauthorized data access and disclosure.

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During the course of our business, we mainly access and analyze data on users' learning behaviors and preferences, as well as learning patterns and outcomes, rather than their personal identifiable information, to recommend targeted learning content and formulate personalized learning strategies. Prior to the collection and use of these data, we obtain each user's consent through the user interfaces of our Fenbi online platform, with prominent displays of the user agreement and privacy policy which require the user to give affirmative consent by clicking the checkbox. As such, we believe that informed consent of users and the legitimacy basis of collection and use of personal data are established by explicit disclosure of, among others, the purpose, scope and manner of personal information collection and use. To ensure the confidentiality and integrity of our data, we limit access to user data on a "need-to-know" basis, which can only be granted with appropriate authorization. We also adopt data encryption measures to ensure the secure processing, transmission and usage of data. Furthermore, we have implemented internal policy and practice guideline regarding algorithm recommendation in compliance with applicable laws and regulations, including the Guiding Opinions on Strengthening the Comprehensive Governance of Algorithm-related Internet Information Services and the Provisions on Algorithm Recommendation. For example, we inform users in a prominent manner of our provision of algorithmic recommendation services and provide them with a convenient option to turn off the algorithmic recommendation services. We also provide users with the function of selecting or deleting user tags for their personal characteristics used in the algorithm recommendation service. We disclose the basic principle, purpose and intent, and main operation mechanism of the algorithm recommendation service in an appropriate manner. We also from time to time review, evaluate and verify the mechanism, model, data and application results of the algorithm mechanism, and have not set up algorithm models that violate laws and regulations or violate ethics and morality, such as inducing users to indulge in and over-consume. We do not use algorithms to block information, over-recommend, or manipulate the ranking of lists or search results, nor do we use algorithms to implement unreasonable differential treatment in transaction conditions, such as transaction prices, based on students' preferences and transaction habits. As of the Latest Practicable Date, we had not applied any algorithm recommendation technology prohibited or restricted under the Provisions on Algorithm Recommendation to the provision of internet information services. In addition, we have submitted our filing report through the internet information services algorithm filing system as required by the Provisions on Algorithm Recommendation.

Moreover, we take safety precautions to maintain our technology infrastructure to further protect our data and information. We assign designated personnel to take charge of the operation, maintenance and security management of our technology infrastructure, as well as data backup and disaster recovery, and implement corresponding protocols. As a general principle, one can only access our internal systems with secure and proper authorization. We maintain our various supporting or operational systems in separate infrastructure to mitigate the risk of system failures and cyber-attacks. We also perform system check and monitoring on a regular basis to detect and deter potential security breaches and other security incidents and threats. Moreover, we engage firewall services to effectively safeguard against sophisticated hacker attacks.

We enter into confidentiality agreements with our employees who have access to our data and information. The confidentiality agreements provide that, among others, these employees are legally obligated not to share, distribute or otherwise disclose our confidential data and information, including other parties' data and information in possession as a result of their employment, to any third parties. These employees are also legally obligated to surrender all confidential data and information in possession upon resigning and to retain their confidential obligations afterwards. Such employees bear compensation liability if they breach their confidential obligations. Furthermore, to prevent improper disclosure and misappropriation of data and information, our agreements with our suppliers and other business partners generally include a confidentiality provision under which they are legally obligated to not to share, distribute or otherwise disclose our confidential data and information, including other parties' data and information in possession as a result of their relationship with us, to other parties.

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We are subject to a variety of laws and regulations regarding cybersecurity, data security and data privacy. The regulatory framework for data privacy protection in China is rapidly evolving. For example, the PIPL, which took effect on November 1, 2021, accentuates the importance of processors' obligations and responsibilities for personal information protection and sets out the basic rules for processing personal information and the rules for cross-border transfer of personal information. The Draft CAC Regulations on Internet Data Security, which was published on November 14, 2021, provides that data processors conducting certain activities shall apply for cybersecurity review. The Measures for Cybersecurity Review 2022, which took effect on February 15, 2022, provides that the relevant operators shall apply with the Cybersecurity Review Office of CAC for a cybersecurity review under certain circumstances. See "Regulation" for details. As advised by CM Law Firm, our legal advisors as to PRC cybersecurity and data privacy protection laws, we do not foresee any material impediments for us to comply with the existing PRC laws and regulations on cybersecurity, data security and personal data protection, including but not limited to the PIPL, the Provisions on Algorithm Recommendation and the Identification Measures, in all material respects based on the following reasons: (1) as of the date of this prospectus, we have not been subject to any material administrative penalties, mandatory rectifications or other sanctions imposed by any competent regulatory authorities in relation to cybersecurity, data and personal information protection, nor have we been subject to or involved in any investigations, or received any inquiry, examination, material warning or interview in such respect; (2) as of the date of this prospectus, there has been no material cybersecurity or data protection incidents, or any infringement upon any third parties, or other legal, administrative or governmental proceedings pending or, to the best of our knowledge, threatened against or relating to our Group; (3) as discussed above, as of the date of this prospectus, we have adopted and implemented robust and stringent internal control systems focusing on data security and personal information protection, which set forth comprehensive and detailed provisions to guide our activities of data collection, processing, analysis and usage to comply with the existing PRC laws and regulations on cybersecurity, data security and personal data protection; and (4) we have been constantly monitoring and will continue to monitor and assess the latest legislative and regulatory development in cybersecurity and data protection, and we have been maintaining and will continue to maintain ongoing consultation with relevant government authorities to seek guidance on the applicability of relevant laws and regulations, so that we may continually amend our internal policies in response to new regulatory developments and take any necessary rectification measures in a timely manner to comply with the requirements thereof if and when they come into effect. Based on the above opinion of CM Law Firm, we are of the view that the existing PRC laws and regulations on cybersecurity, data security and personal data protection and potential changes to such laws and regulations would not have a material adverse effect on our business, results of operations and financial condition.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material data loss or security breach incidents. Nevertheless, our Fenbi mobile app was once ordered by regulatory authorities to rectify unauthorized personal data collection in October 2020. The incident was primarily due to the oversight and lack of comprehensive understanding by the responsible staff of the relevant laws and regulations. We had amended the authorization policy setting regarding personal data collection and completed the rectification by November 2020. Based on regulatory practice, should regulatory authorities be dissatisfied with our rectification, they would suspend our mobile apps or impose additional administrative penalties. As of the date of this prospectus, we have not been subject to any suspension of mobile apps or other administrative penalties as a result of personal data collection and data non-compliance. As such, as advised by CM Law Firm, the likelihood that we would be ordered by regulatory authorities to suspend our mobile apps or be imposed administrative penalties due to such unauthorized personal data collection is remote. We have implemented internal control measures to prevent similar incidents, including the supplement of internal control policies on personal data collection and the reinforced efforts on self-inspection in order to identify and preempt potential unauthorized collection and use of personal data. As such, as advised by CM Law Firm, we were in compliance in all material respects with all applicable PRC laws and regulations with respect to data privacy and protection.

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INTELLECTUAL PROPERTY

Intellectual property rights are fundamental to our business, and we devote significant time and resources to their development and protection. We rely on a combination of contractual restrictions and intellectual property registrations to establish and protect our intellectual properties. We have also engaged third-party experts to actively identify and cope with infringement and misappropriation incidents. In addition, we have set up channels for our employees, students and other third parties to report potential infringement and misappropriation incidents, which we will then verify and follow up. As of the Latest Practicable Date, we had registered 129 trademarks, 21 patents and 74 copyrights (including 53 software copyrights), together with five pending patent applications. See “Appendix IV — Statutory and General Information — B. Further Information about Our Company’s Business — 2. Intellectual Property Rights” for details.

Despite our efforts, third parties may still obtain and misappropriate our intellectual property without authorization. As of the Latest Practicable Date, we had not found any of such misappropriations of our intellectual property rights that could have a material adverse effect on our business and operations. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights may adversely affect our business, results of operations and financial condition. For details of the related risk, see “Risk Factors — Risks Relating to Our Business and Industry — Our failure to protect our intellectual property rights may undermine our competitive position, and litigation to protect our intellectual property rights or defend against third-party allegations of infringement may be costly and ineffective.”

We have used our best efforts to ensure compliance with applicable intellectual property laws. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material intellectual property infringement actions brought by third parties. For details of the related risk, see “Risk Factors — Risks Relating to Our Business and Industry — We may be subject to intellectual property infringement claims by third parties, which may materially and adversely affect our business, results of operations and financial condition.”

EMPLOYEES

As of June 30, 2022, we had 7,388 full-time employees, all of whom were based in China. The following table sets forth the number of our full-time employees by function as of June 30, 2022.

Function	As of June 30, 2022	
	Number of Employees	% of Total
Instructors and other teaching staff	4,075	55.2
Sales and marketing	2,409	32.6
General administration and operations	359	4.8
Content and technological development ⁽¹⁾	349	4.7
Production of textbooks and learning materials	196	2.7
Total	7,388	100.0

⁽¹⁾ In addition to our content development personnel, certain of our teaching staff participate in our content development activities from time to time, leveraging their frontline teaching experience.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our talent management strategy, we offer employees competitive base salaries, performance-based bonuses and other incentives. We have adopted a training protocol, pursuant to which we provide both onboarding and on-the-job training to our employees.

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As required under PRC labor laws, we enter into individual employment contracts with our employees covering matters such as wages, bonuses, employee benefits, workplace safety, confidentiality obligations and grounds for termination. In compliance with PRC regulations, we participate in various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

Two of our branch offices have set up a labor union. In 2021 and the six months ended June 30, 2022, we optimized our employee structure as part of our business strategy to improve our operational efficiency and paid an aggregate compensation of RMB168.9 million to retrenched employees. As advised by our PRC Legal Advisors, based on regulatory confirmations and public search, as of the Latest Practicable Date, there were no labor disputes in relation to employee retrenchment compensation that would have a material adverse effect on our business operations, and we had not been subject to administrative penalties by any labor regulatory authorities in this regard. As further advised by our PRC Legal Advisors, we are in compliance with the relevant laws and regulations in relation to the compensation paid to the retrenched staff in all material aspects. Since 2021 and up to June 30, 2022, we had been involved in labor disputes with 102 employees, among which (1) we obtained six judgments in our favor, (2) we settled disputes with 39 employees for an aggregate settlement amount of approximately RMB1.3 million, (3) 31 employees had withdrawn their claims, (4) we received 16 judgments against us for an aggregate judgment amount of approximately RMB0.8 million, and (5) the remaining 10 were still pending as of the Latest Practicable Date with an aggregate amount in dispute of approximately RMB0.9 million. We believe that these disputes, individually or in the aggregate, have not materially and adversely affected our business operations and financial condition, and we have made sufficient provisions for the labor disputes during the Track Record Period. We believe that we otherwise generally maintain a good working relationship with our employees and we had not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date. See “Risk Factors — Risks Relating to Our, Business and Industry — Increases in labor costs or any labor dispute or unrest may adversely affect our reputation, business, results of operations and financial condition.”

In addition to full-time employees, we engage part-time employees, including part-time instructors, in order to accommodate more students during peak examination preparation seasons. We primarily engage part-time employees through outsourcing companies. The agreements with these outsourcing companies generally have a term of one to two years. Under certain agreements, we are entitled to unilaterally terminate cooperation with the outsourcing companies based on our operational needs. The outsourcing companies shall supply part-time employees to provide services as required by us under the agreements, which are subject to our quality standards. The agreements generally provide for a management service fee to the outsourcing companies that ranges from 5% to 8% of the total amount of commissions entitled by the part-time employees engaged through them. We settle the fees with outsourcing companies mainly on a monthly basis. The commissions for the part-time employees shall be paid through the outsourcing companies. Both parties under the agreements generally shall keep confidential and not disclose to any third party information obtained during the course of cooperation.

We typically set our course arrangements and sales goals ahead of the incoming peak seasons based on our assessments of the recruitment plans, and determine the number of part-time workers we may need accordingly. In 2019, 2020, 2021 and the six months ended June 30, 2022, our part-time instructors delivered approximately 190, 290, 340 and 160 class hours on average, respectively. To ensure teaching quality, we generally conduct training for part-time instructors by ourselves. Our contract workers are typically paid based on their actual workloads. For part-time instructors, we determine the hourly rates according to their respective education backgrounds, work experiences and subjects and course types in charge, which, pursuant to our internal policy, shall range from RMB80 to RMB500. We record commissions paid to part-time instructors through outsourcing companies as human resource outsourcing and other labor costs. This on-demand approach has optimized our efficiency and cost control, and allowed us the flexibility amid the fluctuations in market demands.

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During the Track Record Period, we had terminated cooperation with certain major outsourcing service providers upon conclusion of the service term and/or to establish cooperation with alternative ones with more competitive fee rates. We had not experienced any material disputes with our part-time employees or cooperated outsourcing companies during the Track Record Period and up to the Latest Practicable Date.

PROPERTIES

As of the Latest Practicable Date, we operated our businesses through 220 leased properties nationwide, with a total gross floor area of approximately 154,000 square meters. All such properties have been used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are primarily used as office premises and tutoring classrooms for our business operations.

Our lease agreements in respect of the above-mentioned 220 leased properties generally have expiration dates ranging from December 2022 to October 2028. We plan to renew our leases or negotiate new terms when the existing leases expire. All lessors are Independent Third Parties. We did not experience material difficulties in negotiating renewal of our leases with our landlords during the Track Record Period and up to the Latest Practicable Date. We believe that there is sufficient supply of properties in China.

As of June 30, 2022, none of the properties leased by us had a carrying amount of 15% or more of our consolidated total assets. Therefore, according to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Cap. 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which requires a valuation report with respect to all our Group's interests in land or buildings.

Title Defects

As of the Latest Practicable Date, 19 of our leased properties had title defects that may adversely affect our ability to continue to use them in the future, which account for approximately 8.6% of our total leased properties as of the same date. Among the 19 leased properties with title defects, 13 are used as our office premises, two are used as our employee dormitories, two are used as our warehouses, one is used as our self-study room, and one is used as our office premise and classroom, which we believe presents no safety issues for teaching purpose. The aggregate leased area of these defective properties is approximately 34,000 square meters. The existence of title defects is mainly due to the following reasons: (1) certain lessors failed to provide property ownership certificates or other relevant certificates regarding their legal right to lease such properties, and (2) the intended purposes contained in the property ownership certificates are inconsistent with the actual use of property. As of the date of this prospectus, we are not aware of any challenge being made by a third party or government authority on the titles of any of these leased properties that might have a material adverse effect on our current leases.

According to relevant laws and regulations and as confirmed by our PRC Legal Advisors, the lessors shall be responsible for the circumstances that the intended purposes stated in the property ownership certificates are inconsistent with the actual use of property, and there are no rules or regulations requiring the lessee to obtain the ownership certificate or imposing regulatory punishment on the lessee for not doing so. Accordingly, our PRC Legal Advisors are of the view that we are not subject to any material administrative penalty for any of the title defects in the leased properties.

Moreover, according to relevant PRC laws and regulations, the lessee has the right to claim compensation if the lease agreement is invalid due to the lessor's fault. If our ability to continue leasing such properties is affected by a third-party objection, we may seek indemnity from the lessor in accordance with relevant PRC laws and regulations.

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We believe there is a sufficient reservoir of comparable alternative properties in proximity, and therefore do not expect to incur significant time and cost for identifying alternatives and relocating our operations in the less likely event that we were required to do so. We have developed contingency plans to safeguard our operations against potential risks associated with the title defects. We have prepared and will continuously update a list of backup properties in preparation for any potential relocation upon expiry of or disruption to the existing leases due to title defects. Depending on the size, location, facilities and current usage of the concerned leased property, we expect that it generally takes three to 30 days to complete the relocation with household moving expenses ranging from RMB500 to RMB180,000 per property. We also expect to incur renovation expenses ranging from RMB3,000 to RMB330,000 for a single property, where applicable. We expect that the aggregate relocation costs for the 19 leased properties with title defects will be approximately RMB2.0 million. We may also rent hotel conference rooms to provide tutoring services for certain courses, as we usually do. Moreover, we can serve our students with comprehensive online products and services remotely, which we believe will, to a certain extent, minimize the impact of the potential relocation on our overall business operations. As a result, our Directors believe that relocation will not have a material adverse effect on our business, results of operations and financial condition.

Furthermore, we have enhanced our internal control to avoid such risks by the following measures:

- we have assigned designated personnel to follow up with the relevant parties to retrieve the ownership certificates or other ownership documents of the existing properties with title defects as soon as possible; and
- we will conduct our due diligence and reviews more prudently when we lease additional premises, particularly on the nature, designated use and title certificates for such properties.

Non-registration

As of the Latest Practicable Date, 220 lease agreements of our leased properties had not been registered and filed with relevant land and real estate management departments in China. Under the relevant PRC laws and regulations, the parties to a lease agreement have the obligation to register and file the executed lease agreement. As advised by our PRC Legal Advisors, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each unregistered lease. The aggregate maximum potential penalties for failing to complete the registration within a prescribed period in relation to the 220 lease agreements would be approximately RMB2.2 million. As of the date of this prospectus, we have not received any order from the relevant government authorities requiring us to register these lease agreements. We undertake to cooperate fully to facilitate the registration of lease agreements once we receive any requirements from relevant government authorities.

We have implemented internal control measures to prevent recurrence of non-registration, including assigning designated staff from our legal department to manage regulatory registration and filing related matters. The designated staff from our legal department will keep records of the lease registration status and report to our senior management periodically. We will also provide training to members of our legal department and employees of our operational hubs to familiarize them with the legal requirements in relation to property rentals.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. However, in line with general market practice, we do not maintain any business interruption insurance, keyman life insurance or insurance policies covering damages to our technology infrastructure, which are not mandatory under PRC laws. During the Track Record Period

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and up to the Latest Practicable Date, we had not made or been the subject of any material insurance claims. Any uninsured occurrence of business disruption, litigation or natural disaster could have a material adverse effect on our results of operations. See “Risk Factors — Risks Relating to Our Business and Industry — Our limited insurance coverage could expose us to significant costs and business disruption.”

AWARDS AND RECOGNITION

During the Track Record Period and up to the Latest Practicable Date, we received recognition for the quality and popularity of our services and products. The following table sets forth some significant awards and recognition we have received.

Awarding Year	Award/Certificate	Awarding Organization
2019	High and New Technology Enterprise (高新技術企業)	Beijing Municipal Commission of Science and Technology (北京市科學技術委員會), Beijing Municipal Finance Bureau (北京市財政局), and Beijing Municipal Tax Service of SAT (國家稅務總局北京市稅務局)
2019	Most Influential Education Brand of the Year (2019年度影響力教育品牌).	Tencent News (騰訊新聞)
2019	Influential Online Education Institution Brand Annual Award (年度品牌影響力在線教育機構)	Xinhuanet (新華網)
2019	Internet Plus Technology-based Education Brand of the Year (年度互聯網+科技教育品牌)	Sina (新浪)
2019	Most Trusted Vocational Education Brand of the Year (中國好教育年度社會信賴職業教育品牌)	China.com.cn (中國網)
2020	Educational Charity Program for Social Responsibility of the Year (年度社會責任公益教育項目)	Global Times (CN) (環球網)
2020	Top 10 Education Brands of the Year (教育十大年度品牌)	Beijing Evening Post (北京晚報)
2020	Annual Social Responsibility Model Taker of Chinese Enterprises of 2020 (2020年中國企業責任案例)	People’s Daily (人民日報社)
2020	Member of the Intellectual Property Working Committee of Internet Society of China (中國互聯網協會知識產權工作委員會成員單位)	Intellectual Property Working Committee of Internet Society of China (中國互聯網協會知識產權工作委員會), and Secretariat of Internet Society of China (中國互聯網協會秘書處)
2020	Most Recognized Education Product by Users of 2020 (2020年最受用戶歡迎教育產品)	JingMedia (鯨媒體)
2021	Most Recognized Online Education Platform of the Year (年度口碑在線教育平台)	AI Online Education Conference of 2021 (AI在線教育大會2021)

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LEGAL PROCEEDINGS AND COMPLIANCE

Legal Proceedings

We are subject to legal proceedings, investigations and claims arising in the ordinary course of our business from time to time. During the Track Record Period and up to the Latest Practicable Date, we were not involved in any litigation or arbitration proceedings pending or, to our knowledge, threatened against us or any of our Directors that could have a material adverse effect on our business, results of operations or financial condition.

Compliance

We are subject to a number of regulatory requirements and guidelines issued by the regulatory authorities in China. During the Track Record Period and up to the Latest Practicable Date, we did not commit any material non-compliance of the laws and regulations, or experience any non-compliance incident, which taken as a whole, in the opinion of our Directors, is likely to have a material adverse effect on our business, results of operations or financial condition. As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, save as disclosed in “— Legal Proceedings and Compliance — Compliance,” we had complied with the relevant PRC laws and regulations currently in effect in all material respects.

Fire safety

Non-compliance incidents

We offer classroom-based tutoring courses through classroom facilities set up by a network of local operational hubs. We generally operate our classroom-based tutoring services on leased properties, which allows us to swiftly execute and adjust our geographical expansion plan in response to changing market conditions and demands. We also allow students to elect to take courses at any convenient location of their choosing.

For certain leased properties that function as our offline offices and/or classroom facilities, we have carried out certain decoration work to meet the needs of our business operations. According to the relevant PRC laws and regulations, our decoration work fall within the scope of construction work. If the investment amount of such construction project exceeds RMB300,000 and its gross floor area is more than 300 square meters, the records of the fire safety design and the completion inspection (the “Fire Safety Filing”) (竣工驗收消防備案) shall be filed to the competent fire safety authorities after the decoration work obtains the construction permit and passes the completion inspection.

During the Track Record Period and up to the Latest Practicable Date, we had 67 leased properties which did not complete the required Fire Safety Filing before commencing operation, primarily because (1) the owners of certain leased properties had not completed the Fire Safety Filing for the entire properties within which our leased premises were located, which caused a delay in our applications for the Fire Safety Filing, and (2) we were unable to provide the property ownership certificates for certain leased properties, which were required by the relevant regulatory authorities when applying for the Fire Safety Filing, as certain lessors failed to provide such property ownership certificates, or certain properties were mortgaged and, therefore, their property ownership certificates were retained by banks. The following table sets forth a breakdown of the 67 properties for each period indicated.

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	Year ended December 31,			Six months
	2019	2020	2021	ended June 30, 2022
Reasons for the incompleteness of the Fire Safety Filing				
the owners of the relevant leased properties had not completed the Fire Safety Filing for the entire properties within which our leased premises were located . . .	1	20	10	2
we were unable to provide the property ownership certificates for the relevant leased properties for the reasons discussed above	2	11	21	—
Total	3	31	31	2

After the Track Record Period and up to the Latest Practicable Date, we had not commenced the operation on any leased properties without completing the required Fire Safety Filing.

Among the 67 leased properties, as of the Latest Practicable Date, we had (1) terminated the relevant leases for 45 properties, (2) continued to use 11 properties for which we had subsequently completed the Fire Safety Filing, and (3) suspended the usage of the remaining 11 properties, including nine properties for which we are in the process of terminating the relevant leases, and two properties for which we are in the process of applying for the Fire Safety Filing. According to the confirmation of the relevant competent regulatory authorities, if the concerned leased property is no longer in use, no regulatory investigation and punishment will be imposed for the related historical non-compliance matters. Based on such confirmation, our PRC Legal Advisors are of the view that our risk of being penalized retrospectively for these historical non-compliance incidents is low. In 2019, 2020, 2021 and the six months ended June 30, 2022, the amount of rental expenditures (including lease expenses and depreciation of right-of-use assets) attributable to the 67 leased properties were RMB0.8 million, RMB14.6 million, RMB47.9 million and RMB18.6 million, respectively, representing 0.8%, 4.2%, 8.2% and 12.3% of our total rental expenditures in the same periods, respectively. As such, we believe that these non-compliance incidents would not materially and adversely affect our business operations. We further undertake that we will not resume the operation on the suspended properties that are undergoing the Fire Safety Filing until the Fire Safety Filing is completed.

As of the date of this prospectus, all of our leased properties in use are in compliance with the applicable fire safety laws.

Although we did not timely complete the fire safety filing for certain properties during the Track Record Period, we appreciate the significant importance on fire safety and strive to mitigate our risk exposure to potential fire safety accidents and public safety concerns. To this end, before the commencement of the operations of these properties, we had taken various measures to ensure the fire safety of these leased properties, including (1) installing the necessary fire safety equipment as required by applicable PRC laws and regulations, including fire extinguishers, smoke detectors and automatic water spray, and (2) applying fire resistant construction and decoration materials, installing proper evacuation route indication signs, and where applicable, proper emergency exits. Our Directors are of the view that these measures are adequate and effective to mitigate risks associated with fire safety. Having considered that all of the properties it has inspected have complied with the applicable fire safety laws, regulations and standards to the extent the Fire Safety Filing for these properties, as the case may be, could be completed and there are no material impediments for these properties to complete the Fire Safety Filing with the fire safety authorities, the Fire Safety Consultant is of the view that the foregoing measures are adequate and effective. Having taken into account the factors above, the independent due diligence work conducted by the Joint Sponsors and the view of the Directors and the Fire Safety Consultant, the Joint Sponsors concur with the above-mentioned Directors' and Fire Safety Consultant's view.

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Potential legal consequences

Pursuant to the Fire Prevention Law of the PRC, the construction project that fails to complete the Fire Safety Filing shall be ordered to rectify and shall be subject to a fine of up to RMB5,000. The relevant rules and regulations also provide that, construction projects that have completed the Fire Safety Filing are subject to unannounced inspection. Upon receiving the notice for rectification as a result of unqualified inspection result, the construction project shall be suspended for use. After the rectification is completed, the competent fire safety authority shall conduct a reinspection, and the construction project can only be put into use if deemed as qualified.

As elaborated above, according to the confirmation of the relevant competent regulatory authorities, if the concerned leased property is no longer in use, no regulatory investigation and punishment will be imposed for the related historical non-compliance matters. As of the date of this prospectus, we have terminated the leases or suspended the usage of all concerned properties, and the relevant regulatory authorities have not imposed any material administrative actions, fines or penalties for our inability to complete the necessary fire safety procedures.

As advised by our PRC Legal Advisors, according to the interviews with the relevant regulatory authorities, the fire safety non-compliance incidents have no impact on the renewals of our licenses according to PRC laws and regulations. Furthermore, based on the terms of our insurance policies for two leased properties, the insurers shall have the right to terminate the policies or increase the insurance premiums in case of our failure to fulfill safety obligations, including compliance with relevant fire safety laws and regulations. As of the Latest Practicable Date, such insurers had not terminated the policies or increased the insurance premiums due to the fire safety non-compliance incidents, nor had we had any insurance claims under such insurance policies.

Rectifications and internal control measures

We have engaged Taitong Construction Co., Ltd. (太通建设有限公司) as the fire safety consultant (the "Fire Safety Consultant") in December 2021 to conduct fire safety inspections on all leased properties that were in use but had not completed the required Fire Safety Filing then. The Fire Safety Consultant is primarily engaged in the maintenance and inspection of fire safety facilities and fire safety evaluation. The Fire Safety Consultant has the relevant qualifications and certificates, such as the ISO 9001, ISO 14001 and ISO 45001 certificates, and has a dedicated inspection team consisting of certified fire safety specialists and constructors with extensive prior work experience.

The Fire Safety Consultant has conducted a comprehensive review and inspection of the following aspects of our operations through on-site inspection, surveys and document review, which has covered substantially similar inspection scope that would be conducted by competent government authorities for us to obtain the relevant fire safety approval: (1) the compliance of our fire protection system with laws and regulations and industry standards, (2) the adequacy of the fire safety equipment and system and emergency evacuation plan of the relevant premises, (3) the knowledge of our staff in relation to fire protection management, including our fire safety management personnel and on-site personnel, and (4) the fire protection capability of our decoration materials and exterior wall insulation materials. The review and inspection was completed by December 2021.

Upon inspection of these properties, the Fire Safety Consultant is of the view that (1) the risk exposure to potential fire safety accidents of these properties is inherently low as our operations do not involve the use of gas or fuel to light open flames, (2) we have established and implemented a comprehensive set of fire safety policies and procedures as well as fire safety and emergency evacuation plan that are in compliance with the applicable PRC laws and regulations, (3) the relevant premises are in compliance with applicable building fire protection and fire safety standards, (4) the premises are in compliance with the applicable PRC laws and regulations to be used for classroom-based tutoring, (5) all of these premises have complied with the applicable fire safety laws, regulations and standards to the extent the Fire Safety Filing for these properties, as the case may be, could be completed, (6) we were not able to complete the Fire Safety Filing for these properties for reasons other than fire safety defects, and (7) there are no material impediments for these properties to complete the Fire Safety Filing, as the case may be, upon the submission of all necessary application documents and the completion of the on-site inspections.

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We implemented recommendations provided by the Fire Safety Consultant in December 2021 to manage our risk exposure to potential fire safety accidents, including (1) improving internal fire inspection mechanisms and strengthening communications with building owners to rectify potential fire safety concerns, and (2) conducting fire safety training and providing related guidance to our employees, especially those relating to basic fire safety information, such as fire extinguisher usage and emergency evacuation method.

In addition to the recommendations provided by the Fire Safety Consultant, we have enhanced our internal control measures and procedures with respect to fire safety as recommended by our independent internal control consultant to manage the associated risks and prevent recurrence of such non-compliance incidents. Set forth below are certain key efforts we have made:

- *Fire safety policies.* We have implemented fire safety management policies, including detailed guidance on the use and maintenance of fire safety facilities. We have also adopted internal policies to ensure that our newly leased properties will comply with relevant fire safety laws and regulations. For example, to the extent feasible, we will only lease properties for which (1) there is no title defect, (2) the intended purposes are consistent with our actual use of properties, and (3) the fire safety procedures have been completed. We undertake that for any new leased property with investment of decoration work of more than RMB300,000 and a gross floor area of more than 300 square meters, we will ensure the Fire Safety Filing has been completed with the competent authorities. We further undertake that, we will report the status of completing the Fire Safety Filing and the change of status (such as permanent closure, relocation or re-opening) for the relevant leased properties that are currently suspended in the interim and annual reports after the Listing. Moreover, we have developed contingency plans to safeguard our operations against the potential risks associated with the failure to complete the Fire Safety Filing. The relevant operational hubs have been preparing and will continuously update a list of backup properties. As such, we do not expect to incur significant time for identifying, or incur significant cost to relocate our operations to, comparable alternative properties in proximity if we can no longer utilize the original compliant properties.
- *Training.* We provide regular trainings on fire safety to our on-site employees, which cover general fire safety information and regulations and correct use of fire safety equipment. We also participate in fire drills on a regular basis to heighten the awareness of our employees on fire safety.
- *Designated personnel.* We have designated our internal compliance personnel to supervise and complete the necessary fire safety procedures.

Our internal control consultant reviewed the internal control measures adopted by us in respect of fire safety management and noted that a formal fire safety management policy has been established and implemented within our Group. The rules and responsibilities have been clearly set up in the fire safety management policy, including fire safety inspection, potential remediation and facilities management.

Having considered the above rectifications, our Directors are of the view that our Group's enhanced internal control measures with respect to fire safety are adequate and effective to manage fire safety risks and prevent recurrence of similar fire safety related non-compliance incidents. Based on the work performed and the results of its review, the Fire Safety Consultant is of the view that our Group's enhanced internal control measures, if implemented continuously, are adequate and effective to manage fire safety risks and prevent recurrence of similar fire safety related non-compliance incidents. Having taken into account the factors above, the independent due diligence work conducted by the Joint Sponsors and the view of the Directors and the Fire Safety Consultant, the Joint Sponsors concur with the above-mentioned Directors' and Fire Safety Consultant's view.

After the Track Record Period and up to the Latest Practicable Date, we had no newly leased property that would require the Fire Safety Filing. We undertake that we will only open new hubs after we have obtained all necessary licenses, permits and approvals required under the relevant PRC rules and regulations going forward, including the Fire Safety Filing where applicable.

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Based on the foregoing, our Directors believe that such historical non-compliance would not have a material adverse effect on our business, results of operations or financial condition or the Global Offering, on the grounds that: (1) as of the date of this prospectus, we have terminated the leases or suspended the usage of all fire safety non-compliant leased properties, and we have not been subject to any material administrative penalties during the Track Record Period and up to the date of this prospectus; (2) the Fire Safety Consultant has advised us that all of the properties it has inspected have complied with the applicable fire safety laws, regulations and standards to the extent the Fire Safety Filing for these properties, as the case may be, could be completed and there are no material impediments for these properties to complete the Fire Safety Filing with the fire safety authorities; (3) we have enhanced our internal control measures and procedures as recommended by our independent internal control consultant to prevent the recurrence of such non-compliance incidents; (4) we undertake to relocate if required by the relevant regulatory authorities, and as we have been continuously compiling a reservoir of alternative sites that have completed the Fire Safety Filing, we do not expect to incur significant time for identifying, or incur significant cost to relocate our operations to, comparable alternative properties in proximity; and (5) our PRC Legal Advisors have advised us as discussed above.

Having considered the nature and reasons of the fire safety related non-compliance, our Directors are of the view that such historical non-compliance would not affect their suitability to act as directors of a listed company under Rules 3.08 and 3.09 of the Listing Rules based on the following reasons:

- (i) the occurrence of such historical non-compliance was not due to the dishonesty, gross negligence or recklessness of our Directors nor for illegitimate purposes;
- (ii) we have taken remedial measures as described above to the extent feasible, including terminating the leases or suspending the usage of all fire safety non-compliant leased properties, and engaged the Fire Safety Consultant to conduct fire safety inspection of the concerned properties;
- (iii) such historical non-compliance has not had any material and adverse impact on our business, results of operations and financial condition;
- (iv) no administrative fines or other penalties were otherwise imposed on us or any of our Directors in connection with such non-compliance, and no investigations or actions were conducted by the relevant regulatory authorities on any of our Directors in connection with the same;
- (v) as described above, we have enhanced our internal control measures and procedures to the extent applicable to manage the associated risks and prevent recurrence of such non-compliance;
- (vi) we undertake to report the status of completing the Fire Safety Filing and the change of status (such as permanent closure, relocation or re-opening) for the relevant leased properties that are currently suspended in the interim and annual reports after the Listing; and
- (vii) our Directors are aware of the requirements and obligations as directors of a listed company pursuant to the Listing Rules and have undertaken to observe and comply with all the relevant rules and regulations.

Based on the independent due diligence work conducted as described below, nothing has come to the Joint Sponsors' attention that would reasonably cause the Joint Sponsors to cast doubt on the views of the Directors on their suitability to act as directors of a listed company under Rules 3.08 and 3.09 of the Listing Rules:

- (i) (a) obtained and reviewed the fire safety report prepared by the Fire Safety Consultant, (b) obtained and reviewed the credentials of the Fire Safety Consultant, (c) discussed with the Fire Safety Consultant regarding the methodologies it has adopted to assess the Group's fire safety condition and the scope of inspection on each property that had not completed the Fire Safety Filing as of the Latest Practicable Date, and (d) understood that the Fire Safety Consultant has not identified any material deficiencies in relation to the Group's fire safety

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condition, and that the Group's enhanced internal control measures, if implemented continuously, are adequate and effective to manage fire safety risks and prevent recurrence of similar fire safety related non-compliance incidents;

- (ii) discussed with the Company, the Company's PRC Legal Advisors and the Fire Safety Consultant to understand, among others, (a) the background and reasons for such non-compliance and its legal consequences; (b) various measures adopted by the Group as described above; (c) remedial and rectification actions taken or to be taken by the Group; and (d) potential operational and financial impacts to the Group;
- (iii) discussed with the Company's PRC Legal Advisors to confirm that the local governmental authorities who provided certain confirmations during the interviews are competent authorities for such confirmations, obtained and reviewed the notes of interviews with such authorities, which were also attended by the Joint Sponsors' PRC legal advisor on behalf of the Joint Sponsors, and understood that certain properties were not required to obtain Fire Safety Filing or the Company was allowed to continue using the relevant leased properties without being subject to any administrative penalties in the absence of any claims and thus the risk of being subject to material penalties for such properties is remote;
- (iv) engaged an independent internal control consultant to conduct an internal control review of the Group, and understood that the Group has established fire safety management procedures pursuant to the independent internal control consultant's recommendation;
- (v) reviewed the legal opinion prepared by the Company's PRC Legal Advisors in relation to the Group's fire safety condition and understood that to the extent that the Company has completed the applications for the Fire Safety Filing, the risk of being subject to any administrative penalties due to the untimely completion of the Fire Safety Filing that would have a material adverse effect on the Company's business operations or financial condition is remote; and
- (vi) discussed with the Company's PRC Legal Advisors to understand, based on the confirmation given by the relevant competent regulatory authorities, if the concerned leased property is no longer in use, no regulatory investigation and punishment will be imposed for the related historical non-compliance matters, and therefore the Company's PRC Legal Advisors are of the view that the risk of being penalized retrospectively for these historical non-compliance incidents is low.

Social insurance plans and housing reserve fund

Non-compliance incidents

Pursuant to the relevant PRC laws and regulations, employers are obligated to contribute to the social insurance and housing reserve funds for their employees. During the Track Record Period, we did not make adequate social insurances and housing reserve fund contributions for certain employees or make timely registration with the relevant social insurance or housing reserve fund authorities. Our non-compliance was primarily due to (1) the oversight and lack of comprehensive understanding by the responsible staff of the relevant local regulations, (2) the insistence by certain employees on participating in local social insurance offered in their desired places of residency, instead of the social insurance offered in their places of employment, and (3) the unwillingness by certain employees to participate in the housing reserve fund scheme.

Potential legal consequences

As advised by our PRC Legal Advisors, orders to make full contributions within a prescribed time period may be imposed on an employer for not making full social insurance contributions for employees in a timely manner. If any of the relevant social insurance authorities is of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed time period plus a late fee of 0.05% of the total outstanding balance per day. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be

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subject to a fine ranging between one to three times of the total outstanding balance. In addition, if we fail to register and establish an account for social insurance contributions for our employees, the relevant social insurance authority may order us to do so within a prescribed time limit. If we fail to do so within the prescribed period as requested by the relevant social insurance authorities, we may be subject to a fine ranging between one to three times of the total outstanding balance.

As advised by our PRC Legal Advisors, if any of the relevant housing reserve fund authorities is of the view that our contributions to the housing reserve fund do not satisfy the requirements under the relevant PRC laws and regulations, it may order us to pay the outstanding balance within a prescribed period. If we fail to do so within the prescribed period, the relevant housing reserve fund authority may apply to a PRC court for an order of mandatory payment. In addition, if we fail to register and establish an account for housing reserve fund contributions for our employees, the relevant housing reserve fund authority may order us to do so within a prescribed time limit. If we fail to do so within the prescribed period as requested by the relevant house reserve fund authorities, we may be subject to a fine ranging from RMB10,000 to RMB50,000.

Rectifications and internal control measures

As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant regulatory authorities with respect to our social insurance or housing reserve fund contributions, nor had we received any order to settle the outstanding amount of such contributions. In addition, we did not receive any notice from judicial or administrative authorities on any claim from our current and former employees regarding any inadequate contributions. As advised by our PRC Legal Advisors, in the absence of any employee claims and significant changes in regulatory requirements regarding social insurance and housing reserve fund contributions, the likelihood that we would be required by relevant authorities to pay the shortfalls and late charge for social insurance and housing reserve fund contributions and/or be subject to material administrative penalties due to failure to make full contributions is remote, based on (1) the interview with the MOHRSS on February 9, 2022, (2) the confirmations obtained from the competent authorities from the regions covering substantially all of our subsidiaries, and (3) their understanding of the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization the Levy of Social Insurance Payment (關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知) issued by the MOHRSS, which seeks to promote the reduction in the amount of social insurance contributions by companies to avoid overburdening enterprises and prohibits local authorities from requiring enterprises to make up for historically underpaid or unpaid social insurance contributions in a lump sum. As advised by our PRC Legal Advisors, the relevant local governmental authorities and interviewees are competent to provide such confirmations.

We undertake that in the event that the competent regulatory authorities require us to make up for any shortfall in our contributions and/or pay any late charge, we would seek timely compliance. Moreover, we have been liaising with relevant regulatory authorities in different localities to adjust the payment base for our social insurance and housing reserve fund contributions, the procedure and timing of which may vary based on local rules and policies, such that we can make full contribution in compliance with the applicable laws and regulations as soon as practicable. To prevent the recurrence of such non-compliance, our PRC Legal Advisors provided trainings to our management and human resource department staff on the relevant rules and practice in relation to compliance with social insurance and housing reserve fund requirements. As an annual compliance measure following the Listing, we will continue to communicate with our employees with regard to the employee social insurance plans and housing reserve fund, and contribute to the employee social insurance plans and housing reserve fund consistent with the standards stipulated under applicable PRC laws and regulations. In addition, we have enhanced our internal policies and procedures to ensure compliance with the relevant laws and regulations. Among others, we have clarified in the employee manual that the contribution of social insurance and housing reserve funds shall conform with the relevant laws and regulations. Our human resources department will follow the rules and policies on social insurance and housing reserve fund contributions for any update. We will (1) regularly consult outside counsel to understand whether we are at risk of non-compliance with the relevant laws and regulations; (2) regularly prepare reports regarding our contribution amounts for review by our Board; and (3) conduct internal trainings for our Directors, members of senior management and certain employees on the relevant laws and regulations. Furthermore, we made appropriate provisions for the historical inadequate contributions in our financial statements based on the relevant local rules and policies and

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interviews with and confirmations of the relevant regulatory authorities. In 2019, 2020, 2021 and the six months ended June 30, 2022, the amount of provisions made for the total outstanding amount of social insurance and housing reserve fund contributions was RMB0.6 million, RMB1.9 million, RMB9.1 million and RMB1.0 million, respectively. As for the penalty amount, as advised by our PRC Legal Advisors, according to the Social Insurance Law, we would be subject to a fine only if the relevant social insurance authorities are of the view that the social insurance contributions we made for our employees do not comply with the requirements under the relevant PRC laws and regulations and order us to pay the outstanding balance within a prescribed time period plus a late fee, and we fail to do so within the prescribed period as requested by the relevant social insurance authorities. As our Directors have undertaken that in the event that the competent regulatory authorities require us to make up for any shortfall in our contributions and/or pay any late charge, we would seek timely compliance, our risk of being penalized by the competent authorities is relatively low.

Our Directors believe that the above non-compliance incidents would not have a material adverse effect on our business, results of operations or financial condition or the Global Offering, considering that (1) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (2) we had not received any notifications from the relevant PRC authorities requiring us to pay the shortfalls or the penalties with respect to social insurance and/or housing reserve funds as of the Latest Practicable Date; (3) we were neither aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and/or housing reserve funds; (4) we undertake to pay any shortfall within a prescribed time period upon request by the relevant government authorities or upon the complaint by any affected employee; (5) we have adopted robust internal control measures as discussed above; (6) we made appropriate provisions for social insurance and housing provident fund contributions; and (7) the advice from our PRC Legal Advisors discussed above.

OCCUPATIONAL SAFETY

We have obtained all necessary licenses in relation to workplace safety and established work safety policies or procedures to ensure that all parts of our operations are in compliance with applicable laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we did not experience any significant workplace accident or encounter any material non-compliance issues with respect to any applicable laws and regulations on occupational safety.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We regard environment protection as an important corporate responsibility, and are committed to promoting corporate social responsibility and sustainable development as well as integrating it into all major aspects of our business operations. Corporate social responsibility is viewed as part of our core growth philosophy that will be pivotal to our ability to create sustainable value for our Shareholders by embracing diversity and public interests. Accordingly, our Board has adopted a comprehensive policy on environmental, social and corporate governance responsibilities (the “ESG Policy”) on December 20, 2022 in accordance with the Listing Rules, which sets forth our corporate social responsibility objectives and provides guidance on practicing corporate social responsibility in our daily operations. Our Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks at least once a year. Our Board may assess the ESG risks and review our existing strategies, targets and internal controls. Necessary improvement will then be implemented to mitigate the risks.

Identification, Management and Assessment Approaches

Our Board is principally responsible for overseeing the formulation of our ESG strategies, determining the ESG-related risks, and monitoring and reviewing our ESG performance. It also closely follows the latest ESG-related laws and regulations and correspondingly updates our ESG measures to ensure timely compliance. In addition, we have established an ESG working group to assist our Board in formulating and implementing ESG-related strategies and policies. The ESG working group reports to our Board and assesses our sustainable development strategies, targets and performance regularly. The members of the ESG working group include the heads of various functional departments.

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We will primarily adopt the following approaches to identify, assess and manage material ESG issues.

- *Identification:* Our Directors will discuss the ESG issues with key stakeholders, including our major customers, major suppliers, management team and employees, and collect their views and opinions on our ESG measures and practices, which will help us better identify and prioritize the ESG issues and risks inherent in our business operations and formulate effective measures to mitigate those risks.
- *Management:* We have implemented ESG measures that provide guidelines for managing our ESG issues. Our Board will review ESG issues arising from our business operations and our corresponding ESG measures, including major plans of actions, risk management policies and business plans, and set our performance objectives.
- *Assessment:* Our Board will review the progress made towards ESG-related goals to guide our Group to achieve better ESG performance. Our Board will also engage third-party inspection and assessment institutions to identify and assess our level of compliance in respect to environmental protection covering emission of wastewater, air pollution control and climate changes.

Under our ESG Policy, we aim to build a sustainable community with our employees, customers and business partners by supporting initiatives that aim to create effective and lasting benefits. For example, with the COVID-19 pandemic bringing unprecedented challenges to people's lives, we have quickly responded to the situation and proactively took various measures to help fight against the pandemic, including making donations. We were recognized as an Outstanding Donator for the Prevention and Containment of COVID-19 (新冠肺炎疫情防控捐贈突出貢獻者) by Hope Project Office of Hubei Province (湖北省希望工程辦公室) and Hubei Youth Development Foundation (湖北省青少年發展基金會). We will also focus on embracing diversity within our organization and equal and respectful treatment of all of our employees in their hiring, training, wellness and professional and personal development. While maximizing equal career opportunity for everyone, we will also continue to promote work-life balance and create a happy culture in our workplace for all of our employees.

Potential Climate-related Risks to and Opportunities for Our Business Operation and Financial Results

We recognize the importance of preserving the natural environment, conserving natural resources and protecting global ecosystems to create a sustainable society for our future generations. We endeavor to reduce any negative impact on the environment through our commitment to energy saving and sustainable development. Since we do not operate in a highly-polluting industry, we do not currently have any material liabilities relating to health, work safety and environment, and do not expect to incur any material liabilities in this regard that could have any material adverse effect on our business and results of operations.

We understand that the adverse impact of the global climate change may eventually impact our business operations. As such, we have identified the following ESG risks and opportunities with reference to the list of climate-related risks recommended by the Task Force on Climate-related Financial Disclosures.

- *Physical risks:* The global temperature may increase due to the climate change, leading to a higher consumption level of electricity, which may result in, among others, an increase in our operating costs. The global temperature increase may also result in more unpredictable weather conditions, such as frequent and severe occurrences of typhoons, hurricanes, droughts, flooding, and increased rainfall. Such extreme weather conditions may result in suspension of our operations.
- *Transition risks:* Transition risks refer to medium- and long-term financial risks related to the progress of adjustment towards a lower-carbon economy, which can be prompted by, for example, changes in climate policies, technology, or market sentiment. The laws and regulations on environmental protection may change from time to time, and any change may increase our compliance costs and litigation risks in our operations. If we are in breach of

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any environmental laws and regulations, or face any threatened claims in this regard, our business and reputation could be adversely affected. While we believe that we have limited exposure to climate-related transition risks, our students and other business partners may face different transition risks, which may eventually have an adverse impact on our business.

- *Potential opportunities:* While analyzing the climate-related risks that we may be exposed to, our management concludes that better risk management can unlock even greater opportunities. With the popularization and application of technologies and the further streamline and synergy of our online and offline operations, our business operations will see a huge improvement in managing the energy efficiency. As such, there will be better chances for us to be recognized by students and business partners as compared to other less environment-friendly competitors. In addition, as we provide both online and classroom-based tutoring services, our teaching staff and students can switch to online channels when there are unpredictable weather conditions.

We will continue to explore sustainable business opportunities and apply more environment-friendly new technologies to the extent applicable.

Measures to Manage and Mitigate ESG Risks

To combat climate-related risks, we have implemented internal policies, including a low carbon energy saving proposal (低碳節能倡議書), to reduce our carbon footprint, such as reducing the energy consumption and carbon emission through a number of measures, including (1) switching off lights and powers for electronic devices when not used and replacing all electric lamps in the workplace with energy-saving lamps, (2) using environmentally friendly printing paper and packaging cartons made of 10% recycled pulps, and carrying out our printing operations in compliance with the certificate of CEC-7009EL issued by China Environmental Labeling Center, (3) using double-sided printing of documents, (4) reducing the use of disposable products, including wooden chopsticks, paper cups and paper towels, and advocating for proper waste separation, (5) encouraging employees to work from home and take practical actions to reduce energy consumption, and (6) reducing the use of disposable bottled water in offline classrooms and providing barreled water instead, and encouraging students taking our classroom-based tutoring courses to bring their own water cups to reduce the consumption of disposable paper cups. We also engage suppliers in neighboring regions to the extent feasible to avoid excessive carbon emissions from transportation.

Specifically, we have adopted measures to reduce our paper consumption going forward to the extent possible, including (1) checking with our personnel of tutoring business every six months so as to enable our in-house printing facilities to accurately accommodate the demand for sales of books, (2) continuing to improve our printing efficiency through providing on-the-job training to employees responsible for printing operations, (3) further optimizing the print output formatting, such as reducing default line spacing, margins and header and footer sizes, and reformatting reports and spreadsheets to fit a full page, in order to further reduce our paper usage without sacrificing the quality of our textbooks and learning materials, and (4) reducing the distribution of free notepads by providing notepads to students in need, rather than providing notepads to each student.

Regarding the physical risks, since we have both online and classroom-based tutoring services in scattered locations nationwide, the physical impact on our own operations due to climate change is limited. We are aware that unanticipated system failure due to extreme weather can result in severe disruption to our operations. Any material data loss could materially and adversely affect our business and reputation. Therefore, we have engaged three streamlined broadcast service providers to ensure smooth operations in case of any disruption.

While we have concluded that our transition risk is limited due to our business nature, such risk could ripple from our students and other business partners. We will continue to monitor our risk exposure in this respect.

To strengthen awareness on environmental protection and social responsibility, we will arrange online ESG training courses for all of our employees. Employees are required to complete at least two-hour training every year. In order to increase our contribution to social welfare activities, we require each provincial branch to organize local employees to participate in social welfare activities at

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least once a year, including community volunteering, nursing home volunteering and orphanage volunteering. We also require that the number of participating employees of every such activity shall be no less than 10.

During the Track Record Period, we were not aware of any actual climate-related risks or damages that had adversely affected our business, results of operations and financial condition. Our Directors will continue to exert their efforts on environmental protection and mitigating climate-related risks to our business operations.

Environmental Performance and Metrics

Electricity is the principal source of energy consumption in our operations. The printing process of our textbooks and learning materials may generate noise, solid waste, exhaust gas and waste water. In 2019, 2020, 2021 and the six months ended June 30, 2022, the electricity consumption of our offices and classrooms was 0.8 million, 6.6 million, 9.8 million and 4.5 million kilowatt hours, respectively, which was equivalent to 0.5 million, 3.8 million, 5.7 million and 2.6 million metric tonnes of carbon dioxide as scope 2 indirect emission, respectively. In 2019, 2020, 2021 and the six months ended June 30, 2022, our printing paper consumption was 17,228, 29,866, 38,880 and 15,812 tons, respectively, which were all environmentally friendly paper. In addition, we have been awarded the certificate of CEC-7009EL issued by China Environmental Labeling Center for our printing operations, which indicates that we have met the specific environmental protection requirements with respect to printing materials, printing technologies and production process. We consumed 2.0 million, 4.3 million, 7.3 million and 1.9 million pieces of packaging carton boxes in the same periods, respectively. The packaging cartons we purchased were made of 10% recycled pulps. Our energy and resource consumption during the Track Record Period was generally in line with our business scale. In addition, we have not encountered any problems in sourcing water that is fit for purposes. All of our facilities have stable sources of water supply from municipal pipes and the water quality meets the national safety standard. Due to our business nature, emissions of noise, solid waste, exhaust gas and waste water have been immaterial.

Targets

Strategies	Approaches	Short-term target	Long-term target
Carbon emission reduction	Reduce carbon emission by improving energy efficiency during our operations: <ul style="list-style-type: none"> • minimize the use of lighting and make full use of natural light sources; and • turn off the air-conditioning system during non-working hours to reduce unnecessary power consumption. 	Reduce the intensity of carbon emission by 1% of our current discharge by the end of 2022.	Reduce the intensity of carbon emission by 3% of our current discharge by the end of 2026.
Carbon neutrality	In pursuit of our social responsibility and in line with the national target to achieve carbon neutrality by 2060, we aim to achieve carbon neutrality by 2050.		

Our administrative department assesses and reports the consumption figures to our management team regularly. If there is any deviation, we will investigate the cause and take appropriate corrective measures.

We have followed strict operating protocols and waste handling and disposal measures to make our operations more energy efficient and environmentally friendly and ensure effective compliance with applicable PRC environmental laws and regulations. We have also implemented work safety guidelines setting out safety practices, accident prevention and accident reporting procedures. We conduct regular safety inspections and maintenance for our equipment and facilities. In particular, we have implemented various measures to control the potential adverse environmental impact of our printing activities. Our noise emission, which was categorized as level three under the Noise Emission Standard for Industrial Enterprises at Boundary (GB12348-2008), would not cause a material impact on the surroundings.

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Consumer waste is generally handled by local environmental sanitation authorities on a daily basis. General solid waste, such as paper and packaging waste, is generally recycled to the extent possible. Regarding hazardous solid waste generated from our printing process, such as waste photosensitive materials and waste developer, we have entered into agreements with qualified third parties for proper disposal. Our exhaust gas emissions comply with all emission limits under the Emission Standards of Volatile Organic Compound for Printing Business (DB37/2801.4-2017) after filtering and purifying. With respect to the waste water discharges, we disseminate such to the local sewage disposal system in accordance with relevant regulations.

According to The Greenhouse Gas Protocol — A Corporate Accounting and Reporting Standard (Revised Edition) published by the World Business Council for Sustainable Development and the World Resources Institute, scope 1 direct emission is directly generated by the businesses which are owned or controlled by our Group. As we engage in the business of tutoring services but not industrial manufacturing, our scope 1 emission is minimal. Moreover, as we provide online and classroom-based tutoring services, the scope 3 emission during our ordinary course of business mainly relates to disposal of waste paper and packaging materials, adoption of third-party cloud services and OA system, as well as business travel by our employees. We collect paper and packaging waste at our printing facilities during production, which are then sold to third parties for recycling. In 2021 and the six months ended June 30, 2022, the scope 3 emission from disposal of waste paper and packaging materials was 10,000 and 12,000 metric tonnes of carbon dioxide, respectively. As we had not launched our in-house printing facilities until March 2021, the related scope 3 emission was not applicable for 2019 and 2020. During the Track Record Period, due to the impact of the COVID-19 pandemic, business trips were significantly reduced, and we instead have encouraged, and will continue to encourage, online communications within our Group and with our business partners to reduce carbon emissions resulting from business travel. In addition, we have partnered with reputable cloud service suppliers who are also devoted to carbon reduction, and will maintain the capacity comparable to our business needs to avoid over-usage and corresponding excessive emission.

We believe that we are not susceptible to climate change and we have not experienced extreme weather conditions in the areas where we conduct our operations. As of the Latest Practicable Date, we had not experienced any material impact on our business operations or financial performance as a result of climate change or extreme weather conditions.

Our Directors confirm that we have obtained all applicable permits and licenses under PRC environmental laws and regulations that are material to our operations. During the Track Record Period and up to the Latest Practicable Date, there were no breaches or violations of the PRC environmental laws and regulations applicable to our business operations that would have a material and adverse effect on our business, results of operations or financial condition. In addition, we had not been subject to any material claim or penalty in relation to health, safety, social and environmental protection, or been involved in any significant work place accident or fatality. During the Track Record Period, our expenses in relation to environmental protection were insignificant, and we did not incur any material compliance costs associated with climate change. We expect such expenses to remain at relatively low levels in the foreseeable future.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have designated responsible personnel in our Company to monitor the ongoing compliance by our Company with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management and relevant employees with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to any potential non-compliance.

In addition, we have adopted a set of internal rules and policies governing the conduct of our employees. We have established a monitoring system to implement anti-bribery and anti-corruption measures to ensure that our employees comply with our internal rules and policies as well as the applicable laws and regulations. For example, our management is responsible for conducting a fraud and bribery risk assessment on an annual basis and our audit committee reviews and approves our

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annual risk assessment results and policies. We have also identified certain forbidden conduct in our internal anti-bribery and anti-corruption policies, including, among others, acceptance of bribes or rebates, embezzlement or misappropriation of our assets, and forgery or alteration of our accounting records.

We offer compulsory training courses to our new employees and continuing training to our existing employees to enhance their knowledge and awareness of the relevant rules and regulations. We also actively participate in industry events organized by relevant regulatory authorities from time to time to discuss the latest regulatory requirements of China's career test preparation industry and the overall private education industry.

In addition, we have appointed Maxa Capital Limited as our compliance advisor with effect from the date of the Listing to advise on ongoing compliance with the Listing Rules and other applicable securities laws and regulations in Hong Kong.

During the Track Record Period, our Directors did not identify any material internal control weaknesses or failures. Our Directors are of the view that we have adequate and effective internal control procedures.

Risk Management

We are exposed to various risks during our operation. Key operational risks faced by us include, among others, changes in general market conditions and perceptions of career test preparation services, changes in the regulatory environment in China's career test preparation industry, our ability to offer quality services and products to our students, availability of financing to fund our expansions and business operations, and competition from other market players. See "Risk Factors" for disclosures on various risks we face. In addition, we face numerous market risks, such as credit and liquidity risks that arise in the normal course of our business. See "Financial Information — Quantitative and Qualitative Disclosures about Market Risks" for details.

We have implemented various policies and procedures to ensure effective risk management at each aspect of our operations, including the administration of daily operations, financial reporting and recording procedures, and compliance with applicable laws and regulations. Our Board oversees and manages the overall risks associated with our operations. We have established an audit committee to review and supervise the financial reporting process and internal control system of our Group. See "Directors and Senior Management — Board Committees — Audit Committee" for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee. We have adopted written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules.

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethic and legal compliance. The demand in our industry for qualified teaching staff and other skilled employees is intense and we may be adversely affected by the departure of any key instructors, senior managers or other key employees. See "Risk Factors — Risks Relating to Our Business and Industry — If we fail to continue to engage, train and retain qualified teaching staff, we may not be able to maintain consistent teaching quality, and our business, results of operations and financial condition may be materially and adversely affected" and "Risk Factors — Risks Relating to Our Business and Industry — Our business depends on the continuing efforts of our senior management, other key personnel and a competent workforce to support our existing operations and future growth. If we fail to attract, retain and motivate talents, our operations and growth prospects may be adversely affected." Each of our senior executive officers has entered into an employment agreement with confidentiality, intellectual property and non-competition provisions with us.

We also require our staff to conform to high ethical standards. We distribute copies of our employee handbook to all of our employees. The employee handbook contains, among other things, a code of conduct that each employee must comply with. We provide regular trainings to our staff on

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work ethic, working procedures, internal policies, management, technical skills and other aspects that are relevant to their day-to-day work. Through these trainings, we ensure their skillset is up-to-date and meets our requirements.

Information Technology Risk Management

See “— Data Privacy and Security” for our information security procedures and policies.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We have established strict internal reimbursement and financial activities reporting policies. In particular, our financial department has implemented special inspection and verification procedures on invoices, bills, notes and other financial instruments, checking the legitimacy of the original instruments we receive and use. Our finance department also checks whether the amount and time provided on the face of the instrument match the relevant contracts.

Our finance team is headed by our chief financial officer, Mr. RAN Dong, who has extensive experience in financial management and investment. All other senior members of our finance department are experienced in finance and accounting. We provide ongoing training to our finance staff to ensure that our financial reporting and risk management policies are well-observed and effectively implemented.

Compliance and Intellectual Property Rights Risk Management

Compliance with PRC laws and regulations, especially laws and regulations governing the career test preparation industry, as well as the protection of our intellectual property rights and the prevention of liabilities resulting from violation of third-party intellectual property rights, are major areas of focus in our management of operational risk. Our legal department is responsible for reviewing and approving contracts, monitoring updates to and changes in PRC laws and regulations and ensuring the ongoing compliance of our operations with PRC law. Our legal department also ensures that all necessary applications or filings for trademark, copyright and patent have been timely made to the competent authorities, and that our intellectual properties are under the protection of relevant laws and regulations.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, the Concert Parties, namely Mr. Zhang, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin, acting in concert pursuant to the Concert Party Agreement, directly as well as through their respective controlled intermediary entities (namely, Chalk Sky Ltd, Chalk Star Ltd, Chalk World Ltd, Chalk Wonder Ltd, Liang Ma Limited, Green Creek Holding Limited and Taurus Fund L.P. (collectively, the “Intermediary Shareholders”)) held approximately 35.33% of the total issued share capital of our Company.

Immediately after the completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme), the Concert Parties, through the Intermediary Shareholders, will hold approximately 35.00% of the enlarged share capital of our Company. Accordingly, the Concert Parties, together with the Intermediary Shareholders, will continue to be our Controlling Shareholders upon the Listing.

BUSINESS DELINEATION AND COMPETITION

We primarily offer non-formal VET services (the “Core Business”).

As of the Latest Practicable Date, other than the interest in our Group, members of the Concert Parties invested in and/or controlled certain other companies in various industries, including online social and entertainment platform, baby accessories, media and online games, which do not compete with the Core Business. Among others, two members of the Concert Parties, namely Mr. LI Yong and Mr. LI Xin owned approximately 14.8% and 4.6%, respectively, of the equity interests in and both served as directors of YUAN Inc, while Mr. LI Yong controlled more than 40% of the voting power at its general meetings as of the Latest Practicable Date. YUAN Inc is engaged in providing online tutoring services targeting primarily young children, and to a lesser extent, in terms of revenue contribution, apparel manufacturing and operating coffee shops and postpartum care centers. The online tutoring service business of YUAN Inc and our business require similar licenses for operation, such as Value-added Telecommunications Business Operating License for Internet Information Service and License for Operating Publication Business, while the licenses required for other business of YUAN Inc, namely apparel manufacturing, operating of coffee shops and postpartum care centers, are substantially different from the licenses we need for our business operation. With respect to its online tutoring services, YUAN Inc recorded a gross billing of approximately RMB11.0 billion, with approximately 25 million paid enrollments of its online course offerings, for the year ended December 31, 2021.

The business of YUAN Inc does not belong to or compete with our Core Business, and we believe there is a clear business delineation between our Core Business and the business of YUAN Inc based on the following grounds: (i) there are significant differences in the targeted market and course type between YUAN Inc’s online tutoring services and our course offerings, as YUAN Inc provides training courses for preschool children and programming courses for primary school students, while we offer a wide range of test preparation courses addressing various educational needs of adult students, (ii) the other businesses of YUAN Inc, including apparel manufacturing and operating coffee shops and postpartum care centers, are different in nature from our Core Business as we are not engaged in such businesses, (iii) we operate our business independently from YUAN Inc, and in particular, except that Fenbi Bluesky previously subleased certain small office space to YUAN Inc in 2019 on normal commercial terms, there is no sharing of premises, employees, suppliers or other operational resources between our Group and YUAN Inc during the Track Record Period, and (iv) Yuan Inc has undertaken to our Company that it will not enter into VET business.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders and our Directors confirm that as of the Latest Practicable Date, neither of them nor their respective close associates have any interest in any business, apart from the Core Business operated by members of our Group, that competes or is likely to compete, directly or indirectly, with the Core Business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently of our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon the completion of the Listing, our Board consists of two executive Directors, three non-executive Directors and three independent non-executive Directors. The table below sets forth the overlapping directors between our Group on the one hand, and the Concert Parties and their close associates on the other hand:

<u>Name</u>	<u>Position in our Company</u>	<u>Main positions in the Concert Parties and their close associates (excluding Intermediary Shareholders)</u>
LI Yong	non-executive Director	Director and chief executive officer of YUAN Inc and various subsidiaries of YUAN Inc
LI Xin	non-executive Director	Director of YUAN Inc and various subsidiaries of YUAN Inc
LI Zhaohui	non-executive Director	Director of YUAN Inc

Each of Mr. LI Yong, Mr. LI Xin and Mr. LI Zhaohui is our non-executive Director. They do not hold any management positions in our Group and are not involved in the daily management of our business.

Save as disclosed above, none of the remaining members of our Board, including our executive Directors, and senior management holds any position in the Concert Parties or their close associates (excluding Intermediary Shareholders). Despite the aforesaid overlapping personnel, our Directors consider that our Board and senior management will function independently of our Controlling Shareholder for the following reasons:

- (1) each Director is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests;
- (2) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Controlling Shareholders or their respective associates, the interested Directors shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum;
- (3) we have three independent non-executive Directors, representing more than one-third of the members of our Board, who have extensive experience in different professions. They have been appointed pursuant to the requirements under the Listing Rules to ensure that the

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

decisions of the Board are made only after due consideration of independent and impartial opinions. Certain matters of our Company must always be referred to the independent non-executive Directors for review;

- (4) our senior management members (other than Mr. Zhang and Mr. WEI Liang) are independent from our Controlling Shareholders. They have substantial experience in the industry which we are engaged in. Accordingly, they are able to discharge their duties independently from our Controlling Shareholders; and
- (5) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. See “— Corporate Governance Measures.”

Operational Independence

We have established our own organizational structure consisting of individual departments, each with specific areas of responsibilities. We have also established a set of internal control measures to facilitate the effective operation of our business. Our Group is not operationally dependent on our Controlling Shareholders or their respective close associates. Our Company (through our subsidiaries and the Consolidated Affiliated Entities) holds or enjoys the benefit of all relevant licenses necessary to carry on our business, and has sufficient capital, equipment and employees to operate our business independently from our Controlling Shareholders and their respective close associates. We also have independent access to our customers and suppliers.

Based on the above, our Directors believe that we are capable of carrying on our business independently of our Controlling Shareholders and their respective close associates.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. Our Group’s accounting and finance functions are independent of those of our Controlling Shareholders. During the Track Record Period, we primarily financed our business operation with cash generated from our operating and financing activities. As of the Latest Practicable Date, we did not have any outstanding borrowing or guarantee from our Controlling Shareholders or any of their respective close associates.

Having considered the above, Our Directors confirm that we will not rely on our Controlling Shareholders for financing after the Global Offering as we expect that our working capital will be primarily funded from the Global Offering and cash flow from operations. Therefore, there is no financial dependence on our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders’ interests. We have put in place sufficient corporate governance measures to manage the conflict of interest and potential competition from our Controlling Shareholders and safeguard the interest of the Shareholders, including that:

- (1) where a Shareholders’ meeting is to be held for considering proposed transactions in which our Controlling Shareholders or any of his close associates has a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum in the voting;
- (2) our Company has established internal control mechanism to identify connected transactions. Upon Listing, our Company will comply with the requirements in connection with connected transactions under the Listing Rules;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (3) where our Directors reasonably request the advice of independent professionals, such as independent financial advisors, the appointment of such independent professional will be made at our Company's expense;
- (4) we have appointed Maxa Capital Limited as our compliance advisor to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance; and
- (5) we have established the audit committee, remuneration committee and nomination committee with written terms of reference in compliance with the Listing Rules and the Corporate Governance Code.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders and their respective close associates and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONTRACTUAL ARRANGEMENTS

BACKGROUND

Our online non-formal VET services and book printing business in the PRC (the “Relevant Businesses”) are subject to foreign investment restrictions under PRC laws. To comply with the relevant PRC laws, our Relevant Businesses are directly conducted through our Consolidated Affiliated Entities. On July 31, 2021, we entered into the Contractual Arrangements through which, together with the equity holding, we are able to exercise control over and enjoy all the economic benefits derived from the operations of the Consolidated Affiliated Entities. See “History, Reorganization and Corporate Structure” for details. The Contractual Arrangements have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP RESTRICTION

Foreign investment activities in the PRC are mainly governed by the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the “2021 Negative List”) and the Catalog of Industries in which Foreign Investment is Encouraged (2020 Revision) (鼓勵外商投資產業目錄(2020年版)) (the “2020 Encouraged Catalog”), which were promulgated and are amended from time to time jointly by MOFCOM and the NDRC. The 2021 Negative List and the 2020 Encouraging Catalogue divide industries into “encouraged”, “restricted”, “prohibited” and “permitted” (the last category of which includes all industries not listed under the “encourage”, “restricted” and “prohibited” categories).

A summary of our businesses that are subject to foreign investment restriction or prohibition are set out below:

Prohibited Business

Radio and television program production

The Relevant Businesses involve or will involve video and audio content operation and production, which falls within the scope of radio and television program production and operation business (廣播電視節目製作經營業務) under the Regulations on the Administration of Production of Radio and Television Programmes (廣播電視節目製作經營管理規定) (“Radio and Television Programs Regulations”). Under the Radio and Television Programs Regulations, any entity that engages in the production of radio and television programs are required to apply for a Radio and Television Production Operation License (廣播電視節目製作經營許可證). Fenbi Bluesky holds a Radio and Television Production Operation License for production and release of radio and television programs issued by the Beijing Municipal Radio and Television Bureau. According to the 2021 Negative List, foreign investors are prohibited from holding equity interests in any enterprise engaging in radio and television programme production and operation business.

Internet audiovisual program services

The Relevant Businesses involve or will involve the provision of online video and audio content, which falls within the scope of internet audio-visual program services (互聯網視聽節目服務) under the Administrative Regulations on Internet Audio-visual Program Service (互聯網視聽節目服務管理規定) (the “Internet Audio-visual Program Regulations”). Under the Internet Audio-visual Program Regulations, any entity engaged in certain audio-visual program services via the internet is required to hold an AVSP. As of the date of this prospectus, only wholly state-owned or state-controlled enterprises are eligible to apply for the AVSP according to the Internet Audio-visual Program Regulations. As a result, we have not been able to obtain an AVSP as we are not a wholly state-owned or state-controlled enterprise. See “Business — Licenses, Permits and Approvals” and “Risk Factors — Risks Relating to Our Business and Industry — We face uncertainties with respect to the development of regulatory requirements on operating licenses, permits and approvals for our operations in China. If we fail to obtain or renew requisite licenses, permits or approvals in a timely manner or obtain newly required

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ones due to adverse changes in regulations or policies, it could have a material adverse effect on our business, results of operations and financial condition” for details. According to the 2021 Negative List, foreign investors are prohibited from holding equity interests in internet audio-visual program services business.

Restricted Business

Value-added telecommunications services

Fenbi Bluesky holds a value-added telecommunications business operation license (增值電信業務經營許可證) (the “ICP License”) to operate the portion of the Relevant Businesses that involves internet information services. Fenbi Bluesky delivers online courses in live or pre-recorded format, or a combination of both, through Fenbi online platform, which constitutes providing internet information services. According to the Administrative Measures on Internet Information Services (互聯網信息服務管理辦法), internet information services are defined as “services that provide information to online users through the internet,” which is a subcategory of the value-added telecommunications services. According to the 2021 Negative List, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise holding an ICP License.

On March 29, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations (關於修改和廢止部分行政法規的決定) (the “Decision”), which made amendments to the Regulation for the Administration of Foreign-Invested Telecommunications Enterprises (外商投資電信企業管理規定) (the “FITE Regulations”) promulgated by the State Council on December 11, 2001 and last amended on February 6, 2016. Pursuant to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company engaged in value-added telecommunications business, except as otherwise stipulated by the state, and the foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations (the “Qualification Requirement”). The amendments prescribed in the Decision include, among others, removing the Qualification Requirement for foreign investors that invest in PRC companies conducting value-added telecommunications business as set out in the FITE Regulations. The amended FITE Regulations took effect on May 1, 2022.

Our PRC Legal Advisors are of the view that, even if the Qualification Requirement has been removed, Fenbi Bluesky is not allowed to operate value-added telecommunications services in the format of Sino-foreign equity joint venture or wholly foreign-owned enterprise according to the consultation with MIIT, which is the competent authority to give such confirmation, because Fenbi Bluesky is also engaged in foreign investment prohibited businesses. According to our PRC Legal Advisors, Fenbi Bluesky’s value-added telecommunications business is inseparable from its foreign investment prohibited businesses. See “— Our Consolidated Affiliated Entities — Fenbi Bluesky” for details.

Book printing activities

Lancai Tianxia holds a printing business license (印刷經營許可證) (“Printing Business License”) to operate the book printing business. Such book printing business is regulated by the Regulations on the Administration of Printing Industry (印刷業管理條例) promulgated by State Council on 2 August 2001 and amended on 6 February 2016 and 1 March 2017. According to the 2021 Negative List and other applicable PRC laws, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise conducting publication printing (出版物印刷).

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OUR CONSOLIDATED AFFILIATED ENTITIES

Fenbi Bluesky

Fenbi Bluesky operates a mixture of “prohibited business” and “restricted business” under the 2021 Negative List. In particular, Fenbi Bluesky delivers online courses in live or pre-recorded format, or a combination of both, through Fenbi online platform, which involves providing internet information services, hence constituting value-added telecommunications services under the applicable PRC laws and requiring an ICP License. Meanwhile, such business operation of Fenbi Bluesky involves (i) the production of content in video format, which constitutes radio and television program production and operation pursuant to the Radio and Television Programs Regulations, and (ii) the provision of video and audio content on online platforms, which falls within the scope of internet audio-visual programs services pursuant to the Internet Audio-visual Program Regulations. The aforementioned business is provided to our users through Fenbi online platform, where the tutoring services and course content have been fully integrated on such online platform under the same domain name and are inseparable. Additionally, it is not commercially practical to separate the value-added telecommunications business, the internet audio-visual program services and radio and the television program production services because they are carried out through common human resources, working capital, software and hardware on the same platform. Accordingly, as advised by our PRC Legal Advisors, the Group’s value-added telecommunications business is inseparable from the radio and television program production and operation business or the internet audio-visual programs services. Each of the radio and television program production and operation business and the internet audio-visual programs services falls within the scope of “prohibited business” under the 2021 Negative List.

Based on the above, we believe that to maintain the business operations and effectiveness of the licenses and permits held by Fenbi Bluesky, Fenbi Bluesky must be controlled by the Company through the Contractual Arrangements. Furthermore, since Fenbi Bluesky operates both “prohibited business” and “restricted businesses” under the 2021 Negative List, we are unable to set up any alternative structure that would allow us to partially hold equity interests in and control the economic benefits of Fenbi Bluesky other than through the Contractual Arrangements.

Lancai Tianxia

Lancai Tianxia operates book printing business, which falls within the scope of publication printing business and such scope belongs to the “restricted” investment category. As advised by our PRC Legal Advisors, Shandong Press and Publication Bureau (山東省新聞出版局), being the competent authority for foreign investment administration relating to our book printing business, is of the view that our Company, as a foreign entity, shall not directly or indirectly hold more than 50% of the equity interests in Lancai Tianxia. As such, we currently hold 49.9% of the equity interests in Lancai Tianxia, and Fenbi Bluesky, which is in turn owned by the Registered Shareholders, holds the remaining 50.1% of the equity interests in Lancai Tianxia.

Based on the above reasons, the Contractual Arrangements are narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations.

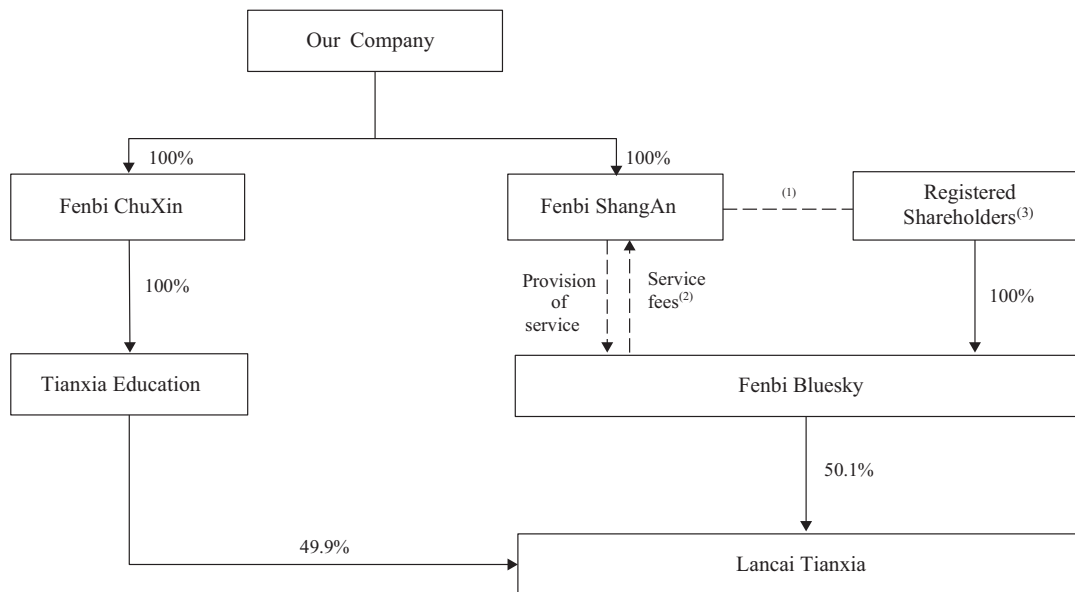
For further details of the limitations on foreign ownership in PRC companies conducting the Relevant Businesses under PRC laws and regulations, see “Regulation — Regulations Related to Foreign Investment.”

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Overview

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements.



—> denotes direct legal and beneficial ownership in the equity interest

- - -> denotes contractual relationship

- (1) Control of Fenbi ShangAn over Fenbi Bluesky through the following agreements with the Registered Shareholders: (i) Shareholder Right Proxy Agreement, (ii) Exclusive Option Agreement, and (iii) Equity Pledge Agreement.
- (2) Control of Fenbi ShangAn over Fenbi Bluesky through the Business Cooperation and Service Agreement.
- (3) The Registered Shareholders refer to the registered shareholders of Fenbi Bluesky. Fenbi Bluesky is owned as to 92.45%, 5.00%, 2.25%, 0.10%, 0.10% and 0.10% by Mr. Zhang, Beijing Fenbi Box, Mr. WEI Liang, Mr. LI Yong, Mr. LI Xin and Mr. GUO Changzhen, respectively. Beijing Fenbi Box is owned as to 95.0% by Mr. Zhang as the general partner and as to 5.0% by Mr. WEI Liang as the limited partner.

Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Business Cooperation and Service Agreement

As part of the Contractual Arrangements, Fenbi ShangAn entered into a business cooperation and service agreement (the “Business Cooperation and Service Agreement”) with Fenbi Bluesky and its subsidiary on July 31, 2021, pursuant to which Fenbi ShangAn agreed to be engaged as the exclusive provider of technical services, management support services, consulting services, market research and other services to the Consolidated Affiliated Entities, in exchange for service fees. Under the Business Cooperation and Service Agreement, the service fees payable to Fenbi ShangAn, subject to the adjustment by Fenbi ShangAn, shall equal to the total profit of the Consolidated Affiliated Entities, after deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year.

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In addition, without the prior written consent of Fenbi ShangAn, during the term of the Contractual Arrangements, with respect to the services subject to the Business Cooperation and Service Agreement, Fenbi Bluesky and its subsidiary shall not establish cooperation relationships similar to those formed by the Business Cooperation and Service Agreement with any third party.

The Business Cooperation and Service Agreement also provides that Fenbi ShangAn has the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by Fenbi Bluesky or its subsidiary during the performance of the Business Cooperation and Service Agreement.

The Business Cooperation and Service Agreement shall remain in effect until (1) Fenbi ShangAn exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiary from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral right of termination.

Exclusive Option Agreement

Fenbi ShangAn entered into an exclusive option agreement (the “Exclusive Option Agreement”) on July 31, 2021 with Fenbi Bluesky and its subsidiary and the Registered Shareholders, pursuant to which Fenbi ShangAn (or its designees) has an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in Fenbi Bluesky and its subsidiary, and an irrevocable and exclusive right to purchase from Fenbi Bluesky and its subsidiary all or any part of their assets, at a minimal price required by the relevant government authorities or PRC laws. To the extent permitted by applicable PRC laws and regulations, the Registered Shareholders shall return the amount of purchase price they have received in full to Fenbi ShangAn. At Fenbi ShangAn’s request, the Registered Shareholders, Fenbi Bluesky and/or its subsidiary will promptly and unconditionally transfer their respective equity interests and/or assets to Fenbi ShangAn (or its designee) after Fenbi ShangAn exercises its this option.

In order to prevent the flow of the assets and value of the Consolidated Affiliated Entities to the Registered Shareholders, during the terms of the Exclusive Option Agreement, none of the assets of the Consolidated Affiliated Entities shall be sold, transferred or otherwise disposed of without the prior written consent of Fenbi ShangAn. In addition, Fenbi Bluesky is not allowed to make any distributions to the Registered Shareholders without the prior written consent of Fenbi ShangAn. In the event that the Registered Shareholders receive any profit distribution or dividend from Fenbi Bluesky, the Registered Shareholders must immediately pay or transfer such amount to Fenbi ShangAn (or its designee). If Fenbi ShangAn exercises this option, all or any part of the equity interests of Fenbi Bluesky and its subsidiary acquired would be transferred to Fenbi ShangAn and the benefits of equity ownership would flow to the Company and our Shareholders.

The Exclusive Option Agreement shall remain in effect until (1) Fenbi ShangAn (or its designee) exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiary from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination.

Equity Pledge Agreement

Fenbi ShangAn entered into an equity pledge agreement (the “Equity Pledge Agreement”) on July 31, 2021 with the Registered Shareholders, Fenbi Bluesky and its subsidiary, pursuant to which the Registered Shareholders agreed to pledge all their respective equity interests in Fenbi Bluesky that they legally own to Fenbi ShangAn as a first security interest to guarantee the performance of contractual obligations of Fenbi Bluesky and the Registered Shareholders under the relevant Contractual Arrangements.

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Under the Equity Pledge Agreement, the Registered Shareholders have agreed that, without prior written consent of Fenbi ShangAn, they will not transfer or dispose the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice Fenbi ShangAn's interest.

The Equity Pledge Agreement shall remain in effect until (i) the satisfaction of all contractual obligations of Fenbi Bluesky and the Registered Shareholders in full, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination. The equity pledges under the Equity Pledge Agreements have been duly registered with the relevant PRC authority pursuant to the relevant PRC laws and regulations.

Shareholder Right Proxy Agreement and Powers of Attorney

Under the shareholder right proxy agreement entered into by and among Fenbi ShangAn, the Registered Shareholders and Fenbi Bluesky on July 31, 2021 (the "Shareholder Right Proxy Agreement"), and the irrevocable powers of attorney executed by each of the Registered Shareholders on the same date (the "Powers of Attorney"), the Registered Shareholders have appointed Fenbi ShangAn, or any director of Fenbi ShangAn or the person designated by Fenbi ShangAn (including a liquidator replacing the person designated by the Fenbi ShangAn) as their agent and attorney to act on their behalf on all matters concerning Fenbi Bluesky and to exercise all of their rights as registered shareholders, including but not limited to (1) the right to propose to convene and attend shareholders' meetings; (2) the right to exercise voting rights on all matters that require discussion and resolution at shareholders' meeting, approve and sign resolutions on behalf of the relevant Registered Shareholder; (3) the right to exercise all shareholder rights and shareholder voting rights under applicable PRC laws and the articles of association; (4) the right to sign the relevant equity transfer agreement and other relevant documents on behalf of the relevant Registered Shareholder and handle the relevant procedures required for the equity transfer in accordance with the relevant Exclusive Option Agreement and Equity Pledge Agreement; and (5) the right to instruct the directors and senior managers of Fenbi Bluesky to act in accordance with the instructions of Fenbi ShangAn (or its designee) without violating the applicable PRC laws, regulations and the articles of association.

The Shareholder Right Proxy Agreement also provides that, in order to avoid potential conflicts of interest, where the Registered Shareholders are officers or directors of the Company, the powers of attorney are granted in favour of officers or directors of the Company other than those who are the Registered Shareholders.

The Shareholder Right Proxy Agreement shall remain in effect until (1) Fenbi ShangAn (or its designee) exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiary from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination.

Loan Agreement

Pursuant to the Loan Agreement entered into by and among Fenbi ShangAn and Fenbi Bluesky on July 31, 2021, Fenbi ShangAn agreed to provide interest-free loans to Fenbi Bluesky in accordance with the PRC laws and regulations and Fenbi Bluesky agreed to utilize the proceeds of such loans to contribute to business operation and development of its subsidiary.

The terms of the Loan Agreement shall remain in effect until (1) Fenbi ShangAn (or its designee) exercises its exclusive options to purchase the entire equity interests in Fenbi Bluesky and its subsidiary from the Registered Shareholders pursuant to the terms of the Exclusive Option Agreement when it is permitted to do so under the applicable PRC laws, or (2) Fenbi ShangAn exercises its unilateral and unconditional right of termination.

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Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of Fenbi ShangAn. The loans will become due and payable upon Fenbi ShangAn's demand under any of the following circumstances, as the case may be: (1) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Fenbi Bluesky, (2) a winding-up or liquidation application has been filed by or against Fenbi Bluesky, (3) Fenbi Bluesky becoming insolvent or incurring any other significant debt which may affect its ability to repay the loan under the relevant Loan Agreement, (4) Fenbi ShangAn or its designee exercising in full their option to purchase all equity interest in Fenbi Bluesky and its subsidiary from the Registered Shareholders to the extent permitted by PRC laws and regulations, or (5) any of relevant contractual parties (except for Fenbi ShangAn) commits any breach of any obligations under the Contractual Arrangements, or any warranties provided by relevant contractual parties (except for Fenbi ShangAn) under the Contractual Arrangements is proved incorrect or inaccurate.

Succession

Each of the Registered Shareholders has confirmed to the effect that, in the event of death, incapacity, bankruptcy, marriage, divorce or any other event which causes the inability of the Registered Shareholder to exercise the rights as a shareholder of Fenbi Bluesky, (1) such Registered Shareholder shall transfer all of the equity interests in Fenbi Bluesky held by him/it without consideration to Fenbi ShangAn or an individual or legal entity designated by our Company under applicable PRC laws, and (2) the successors of the Registered Shareholder will not take any actions that would affect the obligations of such Registered Shareholder under the Contractual Arrangements.

Given that (1) in the event of dissolution of Beijing Fenbi Box, Mr. Zhang and Mr. WEI Liang shall be the liquidators pursuant to the Partnership Enterprise Law of the PRC (中華人民共和國合夥企業法), as Mr. Zhang is the general partner and Mr. WEI Liang is the limited partner of Beijing Fenbi Box while each of them being a registered shareholder of Fenbi Bluesky; (2) according to the Exclusive Option Agreement, Beijing Fenbi Box has undertaken, in the event of any circumstance that may affect Beijing Fenbi Box's exercise of its shareholding in Fenbi Bluesky, the successor and liquidator of Beijing Fenbi Box's civil rights or the assignee of Fenbi Bluesky's equity will be deemed to be a signing party to the Exclusive Option Agreement, inherit and assume Beijing Fenbi Box's rights and obligations under the Exclusive Option Agreement, and transfer the relevant equity interest in Fenbi Bluesky to Fenbi ShangAn or its designee in accordance with the then applicable laws and the Exclusive Option Agreement; and (3) the Contractual Arrangements also stipulate that (a) Beijing Fenbi Box shall not dispose of its equity interests in Fenbi Bluesky without the prior written consent of Fenbi ShangAn; (b) Beijing Fenbi Box shall not transfer any of its rights and obligations under the Contractual Arrangements for any reason without the written consents of other parties to the Contractual Arrangements, and Beijing Fenbi Box shall ensure that the successor continues to abide by and perform its rights and obligations under the Contractual Arrangements and shall not affect or hinder the performance of the Contractual Arrangements, despite that the successors of Beijing Fenbi Box may not be parties to the Contractual Arrangements, our PRC Legal Advisors are of the view that, subject to applicable PRC laws and regulations, the provisions set out in the Contractual Arrangements are legally binding upon Beijing Fenbi Box and will be further substantially binding on the successors of Beijing Fenbi Box, as if the successor was a signing party to the Contractual Arrangements.

Our PRC Legal Advisors are of the view that subject to applicable laws and regulations, (1) the Contractual Arrangements provide protection to the Group even in the event of liquidation or bankruptcy of Beijing Fenbi Box; and (2) liquidation or bankruptcy of Beijing Fenbi Box would not affect the validity of the Contractual Arrangements, and Fenbi ShangAn can enforce its right under the Contractual Arrangements against the successors of Beijing Fenbi Box.

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Spouse Undertakings

The spouse of the relevant Registered Shareholders, where applicable, has signed an undertakings to the effect that (1) he/she confirms that the respective spouse may execute all necessary documents and perform all necessary procedures from time to time for and on behalf of him or her in relation to the respective Registered Shareholder's direct and indirect equity interests in Fenbi Bluesky without the need for authorization or consent by him/her; and (2) if he/she is transferred any shares held by their spouse for any reason, he/she will be bound by the Contractual Arrangements and will observe obligations as a shareholder of Fenbi Bluesky, and will sign all necessary documents and to take all necessary actions to ensure the Contractual Arrangements are properly preformed.

Based on the foregoing, (1) the Contractual Arrangements provide protection to the Group even in the event of loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders; and (2) loss of capacity, death, bankruptcy (if applicable), marriage or divorce of the Registered Shareholders would not affect the validity of the Contractual Arrangements, and Fenbi ShangAn can still enforce its rights under the Contractual Arrangements against the successors of such Registered Shareholders.

Dispute Resolution

Each of the agreements under the Contractual Arrangements stipulates that the parties shall negotiate in good faith to resolve the dispute in the event of any dispute with respect to the construction and performance of the provisions. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration in Beijing, in accordance with the then effective arbitration rules. The arbitration ruling shall be final and binding on all parties. Any party shall have the right to apply to the courts with competent jurisdiction for enforcement of arbitration rulings after the arbitration rulings come into force.

Each of the agreements under the Contractual Arrangements also provides that the arbitral tribunal may award remedies over the equity interest, property interest or other assets of Fenbi Bluesky, injunctive relief (e.g. to limit the conduct of business or to compel the transfer of assets) or order the winding up of Fenbi Bluesky; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and other jurisdiction where the principal assets of Fenbi Bluesky and its subsidiaries are located also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the equity interest, property interest or other assets of Fenbi Bluesky and its subsidiaries.

However, our PRC Legal Advisors have advised that the tribunal normally would not grant such kind of injunctive relief or winding up order of Fenbi Bluesky under the PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC under the current PRC laws. As a result of the above, if Fenbi Bluesky or any Registered Shareholder breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Fenbi Bluesky and conduct our business could be materially and adversely affected. See "Risk factors — Risks Relating to Our Contractual Arrangements" for further details.

Conflict of Interest

The Registered Shareholders have undertaken that, during the period that the Contractual Arrangements remain effective, unless otherwise agreed by Fenbi ShangAn in writing, the Registered Shareholders would not, directly or indirectly participate, or be interested, or engage in, any business which is or may potentially be in competition with the businesses of Fenbi Bluesky or any of its subsidiaries. Furthermore, in the event of the occurrence of a conflict of interests, Fenbi ShangAn

CONTRACTUAL ARRANGEMENTS

and/or the designee of our Company shall be entitled to an option to (1) require the entity engaging in the competing business to enter into an arrangement similar to that of the Contractual Arrangements; or (2) require the relevant Registered Shareholder to take appropriate measures to cease participating in such competing business and eliminate such conflicts of interest.

Loss Sharing

Under the relevant PRC laws and regulations, none of our Company nor Fenbi ShangAn is legally required to share the losses of, or provide financial support to Fenbi Bluesky. Further, Fenbi Bluesky is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Fenbi ShangAn intends to continuously provide to or assist Fenbi Bluesky in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through Fenbi Bluesky, which hold the requisite the PRC operational licenses and approvals, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if Fenbi Bluesky suffer losses.

However, as provided in the Exclusive Option Agreement, without the prior written consent of Fenbi ShangAn, Fenbi Bluesky shall not, among others: (1) sell, transfer, pledge or dispose of in any manner any of its assets; (2) enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of Fenbi Bluesky, save for (i) transactions arising from the normal course of business with the amount involved not more than RMB500,000, and (ii) transactions disclosed to Fenbi ShangAn and approved by Fenbi ShangAn in writing; (3) provide loans or credit to any person (other than in the normal course of business); (4) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; and (5) increase or reduce its registered capital, or alter the structure of the registered capital in any other way.

Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on Fenbi ShangAn and our Company in the event of any loss suffered from Fenbi Bluesky can be limited to a certain extent.

Liquidation

Pursuant to the Exclusive Option Agreement, in the event of a mandatory liquidation required by the PRC laws, the shareholders of Fenbi Bluesky shall give the proceeds they received from liquidation as a gift to Fenbi ShangAn or its designee(s) to the extent permitted by the PRC laws.

Insurance

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

Company's Confirmation

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Fenbi Bluesky under the Contractual Arrangements.

Circumstances under which We will Unwind the Contractual Arrangements

We will unwind and terminate the Contractual Arrangements as soon as practicable in respect of the operation of our Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations in the event that PRC regulatory restrictions on foreign ownership of the Relevant Businesses cease to exist.

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LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

In addition, our PRC Legal Advisors are of the opinion that:

- (a) parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder;
- (b) the Contractual Arrangements would not fall within the circumstances as stipulated in the PRC Civil Code which will lead the arrangements as invalid act under the PRC Civil Code;
- (c) none of the Contractual Arrangements violates any provisions of the articles of association of Fenbi Bluesky or Fenbi ShangAn;
- (d) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the exercise of the option by Fenbi ShangAn of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests in Fenbi Bluesky are subject to the approvals of, consent of, filing with and/or registrations with the PRC governmental authorities; (ii) any share pledge contemplated under the Equity Pledge Agreement are subject to the registration with competent administration bureau for market regulation; (iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by the PRC courts before compulsory enforcement; and
- (e) each of the agreements under the Contractual Arrangements is legal, valid and binding on the parties thereto under the PRC laws. These agreements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. They also provide that the arbitral tribunal may award remedies over the equity interest, property interest or other assets of Fenbi Bluesky, injunctive relief (e.g. to limit the conduct of business or to compel the transfer of assets) or order the winding up of Fenbi Bluesky; and the courts of Hong Kong, the Cayman Islands and other jurisdiction where the principal assets of Fenbi Bluesky and its subsidiaries are located also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the equity interest, property interest or other assets of Fenbi Bluesky and its subsidiaries. However, our PRC Legal Advisors have advised that the tribunal normally would not grant such kind of injunctive relief or winding up order of Fenbi Bluesky under the PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC under the current PRC laws.

Our PRC Legal Advisors also advised us that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations and accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to or otherwise different from the above opinion. See “Risk factors — Risks Relating to Our Contractual Arrangements.”

Notwithstanding the foregoing, during the consultations with the NRTA, MIIT and Shandong Provincial Press and Publication Bureau (山東省新聞出版局), conducted by our PRC Legal Advisors and the Joint Sponsors’ PRC legal advisors in February 2022, February 2022 and December 2021, respectively, the officers of such government authorities confirmed that the adoption of the Contractual Arrangements is not subject to their approvals or confirmation. Our PRC Legal Advisors are of the view that the NRTA, MIIT and Shandong Provincial Press and Publication Bureau (山東省新聞出版局) are the competent government authorities for the Company’s Relevant Businesses and are competent to

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give the confirmations above. Our Contractual Arrangements have not been challenged or subject to penalty imposed by relevant competent government authorities due to violation of any relevant PRC laws or regulations.

Our PRC Legal Advisors are of the view that (1) the aforementioned consultations with the NRTA, MIIT and Shandong Provincial Press and Publication Bureau cover all the regions where we have operations, because (i) each of the NRTA and MIIT is a national government authority of the highest level in the PRC, which shall be competent to provide confirmations in respect of our relevant business operations nationwide, and (ii) our publication printing business has been operated by Lancai Tianxia in Shandong Province, and Shandong Provincial Press and Publication Bureau, as the authority authorized to approve the establishment of Sino-foreign joint venture printing enterprises in Shandong Province and the issuing authority of Lancai Tianxia's License for Printing Operations, is competent to provide the relevant confirmation; and (2) the risk that such consultations would be challenged by higher authorities in the PRC is relatively low.

Based on the above analysis and advice from our PRC Legal Advisors, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws and regulations.

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Under the Business Cooperation and Service Agreement, it was agreed that, in consideration of the services provided by Fenbi ShangAn, Fenbi Bluesky will pay service fees to Fenbi ShangAn. The services fees, subject to the adjustment by Fenbi ShangAn, shall equal to the total profit of the Consolidated Affiliated Entities, after deduction of necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year. Fenbi ShangAn may adjust the service scopes and fees at its discretion in accordance with PRC tax law and practice as well as the needs of the working capital of our Consolidated Affiliated Entities.

In addition, under the Business Cooperation and Service Agreement and the Exclusive Option Agreement, Fenbi ShangAn has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders as Fenbi ShangAn's prior written consent is required before any distribution can be made.

As a result of the Contractual Arrangements, our Company has obtained control of our Consolidated Affiliated Entities through Fenbi ShangAn and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by our Consolidated Affiliated Entities. Accordingly, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements.

In this regard, our Directors consider that our Company can consolidate the financial results of our Consolidated Affiliated Entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of our Consolidated Affiliated Entities is disclosed in the Accountant's Report in Appendix I to this prospectus. Therefore, there would be no material financial impact on our Group if the Contractual Arrangements were adopted throughout the Track Record Period. The aggregate revenues from external customers derived from Fenbi Bluesky and Lancai Tianxia for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were RMB701.7 million, RMB1,045.1 million, RMB1,505.3 million and RMB763.5 million, respectively. Fenbi Bluesky recorded profit before income tax of RMB91 million and RMB104.1 million in 2019 and the six months ended June 30, 2022, respectively, and losses before income tax of RMB464.6 million and RMB805.5 million in 2020 and 2021, respectively. Lancai Tianxia was established on October 27, 2020, started operations in the year ended December 31, 2021 and recorded profit before income tax of RMB19.8 million and RMB9.2 million in 2021 and the six months ended June 30, 2022, respectively. Assuming that (1) the Contractual Arrangements were adopted throughout the Track Record Period, (2) Fenbi ShangAn had been established and readily functioned for provision

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of the relevant services under the Business Cooperation and Service Agreement throughout the Track Record Period, (3) the amounts of the services fees during the year had represented arm's-length transaction price for PRC tax purposes, and (4) the business scope and tax rates of the relevant entities had remained unchanged throughout the Track Record Period due to any assumptions made, the pro forma current income tax liabilities of our Group in 2019 and the six months ended June 30, 2022 would increase by approximately RMB9.1 million and RMB10.4 million, respectively, being the 10% difference between the standard PRC income tax rate of 25% applicable to the services fees that would have been received by Fenbi ShangAn and the preferential income tax rate of 15% applicable to Fenbi Bluesky. The pro forma current income tax liabilities of the Group in the years ended December 31, 2020 and 2021 would be unchanged due to the aggregate losses incurred in the Consolidated Affiliated Entities in the respective periods and same tax rates applicable to Fenbi ShangAn and Lancai Tianxia. No PRC withholding taxes were considered in the calculations of the pro forma tax liabilities assuming no dividends would have been made by Fenbi ShangAn to its parent companies in the relation to the respective periods.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports; and
- (d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Fenbi ShangAn and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT AND OVERSEAS LISTING

Foreign Investment Law

On March 15, 2019, the second meeting of the 13th NPC approved the FIL which became effective on January 1, 2020. The FIL replaced the Sino-foreign Equity Joint Venture Enterprise Law of the PRC, the Sino-foreign Cooperative Joint Venture Enterprise Law of the PRC and the Wholly Foreign-invested Enterprise Law of the PRC to become the legal foundation for foreign investment in the PRC. The FIL stipulates three specific forms of foreign investment, but does not explicitly stipulate the contractual arrangements as a form of foreign investment.

The FIL stipulates that foreign investment includes “foreign investors invest through any other methods under laws, administrative regulations or provisions prescribed by the State Council.” Therefore, there remains uncertainty regarding whether future laws, administrative regulations or provisions prescribed by the State Council may regard contractual arrangements as a form of foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. In the event that such measures are not complied with, the Stock Exchange may take

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enforcement actions against us which may have a material adverse effect on the trading of our Shares. See “Risk Factors — Risks Relating to Our Contractual Arrangements.” Our Company will disclose, as soon as possible, updates of changes to the FIL that will materially and adversely affect our Company as and when occur.

Restrictions on Foreign Investment in Value-Added Telecommunications Services

According to the 2021 Negative List, the proportion of foreign investments in an entity engaged in value-added telecommunications business (except for e-commerce, domestic multi-party communications, storage-forwarding and call centers) shall not exceed 50%.

The FITE Regulations promulgated by the State Council on December 11, 2001 and last amended with immediate effect on February 6, 2016, requires foreign-invested value-added telecommunications enterprises in the PRC to be established as Sino-foreign joint ventures, and foreign investors shall not acquire more than 50% of the equity interests of such enterprise, except as otherwise stipulated by the state. In addition, the main foreign investor who invests in such enterprise shall demonstrate a good track record and experience in such industry. On March 29, 2022, the State Council issued the Decision to Amend and Abolish Certain Administrative Regulations, which made amendments to the FITE Regulations, including, among others, removing the Qualification Requirement for main foreign investors that invest in PRC companies conducting value-added telecommunications business as set out in the FITE Regulations. The amended FITE Regulations took effect on May 1, 2022. See also “— PRC Laws and Regulations Relating to Foreign Ownership Restriction” for details.

Foreign Investment Negative List

According to the 2021 Negative List, PRC domestic companies conducting businesses in areas prohibiting foreign investment under the 2021 Negative List must obtain approval from the relevant regulatory authorities before its overseas securities offering and listing. At a press conference held on January 18, 2022, officials from the NDRC clarified that the foregoing approval requirement would only apply to direct overseas offerings by PRC domestic companies engaging in foreign-prohibited businesses. Our PRC Legal Advisors are of the view that the Global Offering constitutes an indirect overseas offering by a PRC domestic company, which would not be subject to the foregoing approval requirement based on NDRC’s clarifications.

Draft Regulations on Overseas Listing

On December 24, 2021, the CSRC issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)) (the “Draft Overseas Listing Administration Provisions”) and the Administrative Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行證券和上市備案管理辦法(徵求意見稿)) (the “Draft Overseas Listing Filing Measures”, together with the Draft Overseas Listing Administration Provisions, the “Draft Regulations on Listing”), the deadline for public comments of which was January 23, 2022.

The Draft Overseas Listing Administration Provisions comprehensively improved and reformed the exiting regulatory system for overseas offering and listing of domestic companies, and brought all overseas listing activities including both direct and indirect overseas offering and listing under regulation by adopting a filing-based administration system. Under the Draft Overseas Listing Administration Provisions, the securities offering and listing in an overseas market made in the name of an offshore entity but based on the underlying equity, assets, earnings or other similar rights of a domestic company that operates its main business domestically may be deemed as indirect overseas offering and listing, and thus the offshore entity shall fulfill the filing procedure with the CSRC instead of obtaining the approval from the CSRC.

CONTRACTUAL ARRANGEMENTS

At the press conference held for these draft regulations on December 24, 2021, officials from the CSRC clarified that implementation of the Draft Regulations on Listing will follow a non-retrospective approach, which indicates that only new initial public offerings and refinancing by existing overseas-listed Chinese companies will be required to go through the filing process. In addition, the new regulations and rules will allow a proper transition period for existing overseas-listed China-based companies that do not have an imminent plan for public offerings to comply with the filing requirement in due course. Further, the officials from the CSRC confirmed that companies with VIE structure that comply with the applicable PRC laws and regulations can still conduct overseas offering and listing upon the completion of the requisite procedures.

In addition, pursuant to the Draft Overseas Listing Administration Provisions, an overseas offering and listing of a PRC company is prohibited under any of the following circumstances, if (i) it is prohibited by PRC laws, (ii) it may constitute a threat to or endanger national security as determined by competent PRC authorities, (iii) it has material ownership disputes over equity, major assets, and core technology, (iv) in recent three years, the Chinese operating entities and their controlling shareholders and actual controllers have committed relevant prescribed criminal offenses or are currently under investigations for suspicion of criminal offenses or major violations, (v) the directors, supervisors, or senior executives have been subject to administrative punishment for severe violations, or are currently under investigations for suspicion of criminal offenses or major violations, or (vi) it has other circumstances as prescribed by the State Council. As advised by our PRC Legal Advisors, there is no explicit PRC laws and regulations currently in effect which prohibit us from offering and listing in an overseas stock exchange. Furthermore, based on legal due diligence and public search against the Company's PRC subsidiaries and Consolidated Affiliated Entities, their controlling shareholders and actual controllers, and their directors, supervisors and senior executives conducted by our PRC Legal Advisors and to the best of our knowledge, as of the date of this prospectus, our PRC subsidiaries and Consolidated Affiliated Entities, their controlling shareholders and actual controllers, as well as our directors, supervisors and senior executives have not been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting overseas offering under the Draft Overseas Listing Filing Measures. As of the date of this prospectus, we had not received any enquiries, guidance or other concerns with respect to the Listing or our VIE structure from the CSRC or any other PRC government authorities in connection with the requirements under the new regulatory regime. Since the Draft Regulations on Listing are released recently and the adoption and effective date of such drafts is unclear, there is still uncertainty about the final form of such drafts as well as the interpretation and implementation thereof after their promulgation. If the Draft Regulations on Listing become effective in their current form before the Global Offering is completed, we will take all necessary steps, and submit all relevant materials in accordance with the Draft Regulations on Listing, other than uncertainties of the filing procedures or requirements which may be further clarified in the final version of the Draft Regulations on Listing and/or their implementation rules, we do not foresee any material impediment for us to comply with these regulations in any material respect.

CONNECTED TRANSACTIONS

CONNECTED PERSONS

We have entered into certain transactions with the following connected persons, which will constitute our continuing connected transactions upon Listing:

Connected Persons	Connected Relationship
Shenzhen Tencent Computer Systems Company Limited (深圳市騰訊計算機系統有限公司) (“Tencent Computer”)	a subsidiary of Tencent, one of our substantial shareholders
YLBJ	a company that is owned as to 63.568% by Mr. LI Yong, our Director and one of our Controlling Shareholders, and a subsidiary of YUAN Inc (through contractual arrangements) which is controlled by Mr. LI Yong through more than 30% of the voting power at general meeting of YUAN Inc
Fenbi Bluesky	a company that is owned as to 92.45% by Mr. Zhang, our Director and one of our Controlling Shareholders

CONTINUING CONNECTED TRANSACTIONS

The following table sets forth the continuing connected transactions with our Group following the Listing:

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending December 31,		
			2022	2023	2024
<i>(in RMB'000)</i>					
<i>Partially-exempt continuing connected transactions (subject to reporting, annual review and announcement requirements)</i>					
Cloud Services and Technical Services Framework Agreement.	Rule 14A.35, Rule 14A.53, Rule 14A.76(2) and Rule 14A.105	Requirements as to announcement under Chapter 14A of the Listing Rules	14,000	18,000	21,000
Payment Services Framework Agreement.	Rule 14A.35, Rule 14A.53, Rule 14A.76(2) and Rule 14A.105	Requirements as to announcement under Chapter 14A of the Listing Rules	13,000	17,000	23,000
Printing Services Framework Agreement.	14A.35, 14A.53, 14A.76(2) and 14A.105	Requirements as to announcement under Chapter 14A of the Listing Rules	2,500	10,000	12,000
<i>Non-exempt continuing connected transactions (subject to reporting, annual review, announcement and independent Shareholders' approval requirements)</i>					
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.52 to 14A.59, 14A.71 and 14A.105	Requirements as to announcement, independent shareholders' approval, annual cap, and limit of the terms of agreements under Chapter 14A of the Listing Rules	N/A	N/A	N/A

CONNECTED TRANSACTIONS

Partially-exempt Continuing Connected Transactions

We set out below a summary of the continuing connected transactions of our Group which are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

Cloud Services and Technical Services Framework Agreement

Principal Terms

In December 2022, Fenbi Bluesky (for itself and on behalf of other members of our Group) entered into a cloud services and technical services framework agreement (the “Cloud Services and Technical Services Framework Agreement”) with Tencent Computer, pursuant to which Tencent Computer agreed to provide cloud services and other cloud-related technical services to us for service fees. Cloud services and other cloud-related technical services include but are not limited to computing and network, cloud servers, cloud database, cloud security, monitoring and management, domain name resolution services, video services, big data and AI and other products and services. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

The term of the Cloud Services and Technical Services Framework Agreement shall commence from the date of signing and expire on December 31, 2024.

Reason for the Transactions

There are limited choices of cloud service providers in the PRC, while Tencent is a leading integrated service provider for a wide range of cloud services and technical services in the PRC and is able to provide high-quality, reliable and cost-efficient services. Considering our business has undergone and is expected to undergo rapid growth, we believe that obtaining such services from an integrated service provider is a cost-effective alternative to building all supporting technology infrastructure internally. We will be able to reduce unnecessary management resources and costs incurred from the purchase of additional technology hardware and tools, and recruitment of additional full-time information technology and maintenance staff. We therefore entered into the Cloud Services and Technical Services Framework Agreement to govern any cloud services and technical services to be provided by Tencent Computer or other members of Tencent to us.

Historical Amounts

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate amounts of fees relating to cloud services and technical services paid to Tencent by us were RMB5.0 million, RMB7.0 million, RMB9.0 million and RMB5.1 million respectively.

Annual Cap and Basis of Annual Cap

Our Directors estimate that the total fees to be paid by our Group to Tencent Computer for procurement of cloud services and technical services will not exceed RMB14.0 million, RMB18.0 million and RMB21.0 million for the year ending December 31, 2022, 2023 and 2024, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the historical transaction amounts and the existing agreements between our Group and Tencent; and (ii) as we expect growth in the number of our students, higher user engagement on our platform, continual development of our products and services and the corresponding demand for cloud services and technical services, the estimated amount of fees is expected to increase along with the overall growth of our business.

CONNECTED TRANSACTIONS

Pricing Policies

Before entering into any cloud services and technical services agreement pursuant to the Cloud Services and Technical Services Framework Agreement, we will assess our business needs and compare the cloud services and technical services fees proposed by Tencent Computer with the fees offered by at least one other comparable service provider. The service fee will be agreed by the parties through arm's length negotiations based on the fee rates disclosed on the relevant official websites of Tencent. In addition, we will take into account a number of factors, including but not limited to (i) the quality and stability of cloud and technical services of different service providers; and (ii) the service fee rates. We will only enter into a cloud services and technical services agreement with Tencent Computer if the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third party service providers.

Listing Rules Implications

The Cloud Services and Technical Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms or better, and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions will exceed 0.1% but all will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, the transactions will be exempt from circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Waiver Application

Given the transactions under the Cloud Services and Technical Services Framework Agreement will be carried out from time to time after the Listing and the related framework agreement is disclosed in this prospectus, our Directors consider that strict compliance with the announcement requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Cloud Services and Technical Services Framework Agreement. The waiver will expire on December 31, 2024. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this prospectus, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

Payment Services Framework Agreement

Principal terms

In December 2022, Fenbi Bluesky (for itself and on behalf of other members of our Group) entered into a payment services framework agreement (the "Payment Services Framework Agreement") with Tencent Computer, pursuant to which Tencent Computer agreed to provide us with payment services through its payment channels so as to enable our customers to conduct online transactions and we will pay service commissions to Tencent Computer in respect of such services. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

The term of the Payment Services Framework Agreement shall commence from the date of signing and expire on December 31, 2024.

CONNECTED TRANSACTIONS

Reasons for the Transactions

There are limited choices of online payment channels in the PRC. Given that Tencent is a leading player in the PRC online payment service industry and many of our students use the online payment channel provided by Tencent, such cooperation will enable us to provide our students with the best available payment methods and therefore enhance our students' satisfaction with our services.

Historical Amounts

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate amounts of the payment service commissions in connection with payment services paid to Tencent by us were RMB2.3 million, RMB5.6 million, RMB9.0 million and RMB4.0 million, respectively.

Annual Cap and Basis of Annual Cap

Our Directors estimate that total payment service commissions paid by our Group to Tencent Computer will not exceed RMB13.0 million, RMB17.0 million and RMB23.0 million for the years ending December 31, 2022, 2023 and 2024, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the expected transaction volume for the years ending December 31, 2022, 2023 and 2024; (ii) the aforesaid historical amounts and the potential growth in the transaction amounts paid by our customers through the online payment channel provided by Tencent as a result of expected growth in the transaction volume and the continued use of such payment channel as one of the primary payment methods chosen by our students; and (iii) the estimated commission rate charged by Tencent Computer, with reference to the current market rates.

Pricing Policies

Before entering into any payment service agreement pursuant to the Payment Services Framework Agreement, we will assess our business needs and compare the payment service commissions proposed by Tencent Computer with the commissions offered by at least one other comparable service provider. In addition, we will take into account a number of factors, including but not limited to (i) the efficiency of payment channels operated by different online payment service providers; (ii) consumers' preference among different online payment service providers; and (iii) the payment service commission rates. We will only enter into a payment service agreement with Tencent Computer if the terms and conditions are fair and reasonable and based on normal or no less favorable commercial terms than those offered by other independent third-party service providers.

Listing Rules Implications

The Payment Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms or better, and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions will exceed 0.1% but all will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, the transactions will be exempt from circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Waiver Application

Given the transactions under the Payment Services Framework Agreement will be carried out from time to time after the Listing and the related framework agreement is disclosed in this prospectus, our Directors consider that strict compliance with the announcement requirement in respect thereof would

CONNECTED TRANSACTIONS

be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Payment Services Framework Agreement. The waiver will expire on December 31, 2024. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this prospectus, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

Printing Services Framework Agreement

Principal Terms

In December 2022, Lancai Tianxia entered into a printing services framework agreement (the “Printing Services Framework Agreement”) with YLBJ (for itself and on behalf of its subsidiaries), pursuant to which YLBJ agreed to engage Lancai Tianxia to provide custom printing and book binding services for its self-developed learning materials. The precise scope of service, service fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

The term of the Printing Services Framework Agreement shall commence from the date of signing and expire on December 31, 2024.

Reason for the Transactions

Although we did not provide printing services for YLBJ in the past, we did provide printing services to other independent third party customers and gradually ramp up our printing capacity. Given the great demand of YLBJ for printing services, we could benefit from the business cooperation between us and YLBJ in expansion and promotion of our printing services, which enable us to enhance our competitiveness. We could also reduce unnecessary management resources and costs incurred from client sourcing.

Historical Amounts

For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, neither YLBJ nor any of its subsidiaries had purchased any printing services from us. Based on our unaudited management accounts, for the period from July 1, 2022 to September 30, 2022, the amount of service fee in connection with printing services paid by YLBJ to us was approximately RMB0.7 million.

Annual Cap and Basis of Annual Cap

Our Directors estimate that the total revenues from YLBJ for procurement of our printing services will not exceed RMB2.5 million, RMB10.0 million and RMB12.0 million for the year ending December 31, 2022, 2023 and 2024, respectively.

In determining such annual caps, our Directors have considered the following factors: (i) the historical and prevailing market price for our printing services of comparable goods and services, and the potential fluctuations in the market price for such printing services in the future; (ii) our existing printing capacity and its expected future growth; and (iii) the current demands of YLBJ for printing services in 2022 as YLBJ began to place order for printing services and the estimated demands and growth rate in the future three years.

CONNECTED TRANSACTIONS

Pricing Policies

Before entering into any printing services agreement pursuant to the Printing Services Framework Agreement, we will review and ensure the payment arrangement of such individual printing services agreement are on normal commercial terms. The fee quotes offered by us shall take into account the quantity of the relevant orders, the service scopes and the anticipated operational costs (including labor costs, material costs and administrative costs), with reference to the rates generally offered by us to Independent Third Parties in respect of comparable goods and services, and the prevailing market price of comparable goods and services.

Listing Rules Implications

The Printing Services Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of our business and on normal commercial terms, and our Directors currently expect that one or more of the applicable percentage ratios (other than the profit ratio) under the Listing Rules in respect of such transactions will exceed 0.1% but all will be lower than 5%. Pursuant to Rule 14A.76(2)(a) of the Listing Rules, the transactions will be exempt from circular and the independent shareholders' approval requirement under Chapter 14A of the Listing Rules, but will be subject to reporting, annual review and announcement requirements.

Waiver Application

Given the transactions under the Printing Services Framework Agreement will be carried out from time to time after the Listing and the related framework agreement is disclosed in this prospectus, our Directors consider that strict compliance with the announcement requirement in respect thereof would be impractical and unduly burdensome, and would add unnecessary administrative cost to us. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the Printing Services Framework Agreement. The waiver will expire on December 31, 2024. In case of any future amendment to the Listing Rules which is stricter than the requirements applicable to continuing connected transactions disclosed in this prospectus, we will take appropriate measures to ensure the compliance by us of relevant requirements within a reasonable time period.

Non-exempt Continuing Connected Transactions

We set out below a summary of the continuing connected transactions of our Group which are subject to reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

Background

As disclosed in "Contractual Arrangements," due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in China under the Contractual Arrangements entered into among Fenbi ShangAn, the Consolidated Affiliated Entities and the Registered Shareholders. Through the Contractual Arrangements, we effectively control the Consolidated Affiliated Entities and are able to derive substantially all of the economic benefits and expected to continue to do so. The Contractual Arrangements enable us to, among others, (1) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by Fenbi ShangAn to the Consolidated Affiliated Entities; (2) exercise effective control over the Consolidated Affiliated Entities; and (3) hold an exclusive option to purchase all or part of the equity interests in Fenbi Bluesky when and to the extent permitted by PRC laws.

CONNECTED TRANSACTIONS

The Contractual Arrangements consist of various types of documents. For detailed terms of these documents, see “Contractual Arrangements.”

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as certain parties to the Contractual Arrangements, including Mr. Zhang, are connected persons of the Group pursuant to Chapter 14A of the Listing Rules.

One or more of the applicable percentage ratios of transactions contemplated under the Contractual Arrangements are expected to be more than 5%. Therefore, the transactions will constitute non-exempt continuing connected transactions of our Group and will be subject to reporting, announcement, circular, annual review and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Reasons for the Waiver Application

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group’s legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better, which are fair and reasonable and in the interests of our Group and our Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between our Consolidated Affiliated Entities and any member of our Group (“New Intergroup Agreements” and each of them, a “New Intergroup Agreement”) technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that the financial results of the Consolidated Affiliated Entities are consolidated into our financial statements as if they were our Company’s wholly-owned subsidiaries and all the economic benefits of their business flows to our Group, our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements. Our Directors believe that it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the reporting, announcement, circular, independent shareholders’ approval requirements.

In addition, given the Contractual Arrangements were entered into prior to the Listing and are disclosed in this prospectus, and potential investors of our Company will participate in the Global Offering on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent Shareholders’ approval requirements in respect thereof immediately after Listing would add unnecessary administrative costs to our Company.

CONNECTED TRANSACTIONS

Waiver Application

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (1) the announcement, circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (2) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (3) the requirement of limiting the terms for the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements (including with respect to any fees payable to Fenbi ShangAn thereunder) will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities through: (1) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in Fenbi Bluesky for consideration equivalent to the minimum purchase price permitted by applicable PRC laws and regulations; (2) the business structure under which the profit generated by the Consolidated Affiliated Entities (after deduction of any accumulated deficit in respect of the preceding financial years, operating costs, expenses, taxes and other statutory contributions) is retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Fenbi ShangAn under the Business Cooperation and Service Agreement; and (3) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Fenbi Bluesky.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

CONNECTED TRANSACTIONS

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (2) no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (3) any new contract entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Shareholders, so far as our Group is concerned and in the interests of our Shareholders as a whole;
- our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors and have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;
- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person," our Consolidated Affiliated Entities will be treated as our Company's wholly-owned subsidiary, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of our Consolidated Affiliated Entities and its associates will be treated as connected persons of our Company (excluding for the purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- our Consolidated Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, our Consolidated Affiliated Entities will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

In addition, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (1) the announcement, circular and independent shareholders' approval in respect of the transactions contemplated under any New Intergroup Agreements (as defined above) pursuant to Rule 14A.105 of the Listing Rules, (2) setting an annual cap for the transactions contemplated under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (3) limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are listed on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and that the Consolidated Affiliated Entities will continue to be treated as the Company's subsidiary, and the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and its associates will be treated as connected persons of the Company (excluding for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and the Group (including for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject

CONNECTED TRANSACTIONS

to requirements under Chapter 14A of the Listing Rules. The Company will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirement than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

DIRECTORS' CONFIRMATION

Our Directors (including our independent non-executive Directors) consider that all the continuing connected transactions described in this section, including but not limited to terms and annual caps thereof, have been entered into and are conducted in the ordinary and usual course of our business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (1) the financial and operation of our Consolidated Affiliated Entities can be effectively controlled by Fenbi ShangAn, (2) Fenbi ShangAn can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (3) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

JOINT SPONSORS' CONFIRMATION

The Joint Sponsors have (i) reviewed the relevant documents and information provided by the Group, and (ii) participated in the due diligence and discussion with the management of the Company with respect to the above non-exempt continuing connected transactions. Based on the above, the Joint Sponsors are of the view that the non-exempt continuing connected transactions set out above have been and will continue to be carried out in the ordinary and usual course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interests of the Company and our Shareholders as a whole; and that the proposed monetary annual caps of the non-exempt continuing connected transactions are fair and reasonable and in the interests of the Company and our Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements, which is of a duration of longer than three years, the Joint Sponsors are also of the view that it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration.

INTERNAL CONTROL MEASURES

We will adopt the following internal control and corporate governance measures to closely monitor connected transactions and ensure future compliance with the Listing Rules:

- (1) we will adopt and implement a management system on connected transactions and our Board and various internal departments of our Company will be responsible for the control and daily management in respect of the continuing connected transactions;
- (2) our Board and various internal departments of our Company will be jointly responsible for evaluating the terms of the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps (if applicable) under each transaction;
- (3) our Board and the finance department of our Group will regularly monitor the connected transactions and our management will regularly review the pricing policies to ensure connected transactions to be performed in accordance with the relevant agreements;

CONNECTED TRANSACTIONS

- (4) we shall engage our auditors to, and our independent non-executive Directors will, conduct annual review on the connected transactions to ensure that the transactions contemplated thereunder have been conducted pursuant to the requirements of the Listing Rules and have fulfilled the relevant disclosure requirements; and
- (5) we will comply with the relevant requirements under Chapter 14A of the Listing Rules for the continuing connected transactions and comply with the conditions prescribed under the wavier submitted to the Stock Exchange in connection with the continuing connected transactions in this regard.

DIRECTORS AND SENIOR MANAGEMENT

OVERVIEW

Our Board currently consists of eight members, comprising two executive Directors, three non-executive Directors and three independent non-executive Directors. The following table sets forth certain information regarding our Directors.

Name	Age	Position	Date of appointment as Director	Time of joining our Group	Responsibilities	Relationship with other Directors and senior management
Mr. ZHANG Xiaolong (張小龍)	39	Executive Director, chief executive officer and chairman of the Board	December 2020	February 2015	Overall strategic planning and business development and operation, as well as overall technological and curriculum development of our Group	None
Mr. WEI Liang (魏亮)	38	Executive Director, president and chief technology officer	December 2020	February 2015	Overall management of online and offline tutoring business and technological matters of our Group	None
Mr. LI Yong (李勇)	48	Non-executive Director	December 2020	February 2015	Providing guidance and advice on the business strategies of our Group	None
Mr. LI Xin (李鑫)	39	Non-executive Director	December 2020	February 2015	Providing guidance and advice on the business strategies of our Group	None
Mr. LI Zhaohui (李朝暉)	47	Non-executive Director	December 2020	December 2020	Providing guidance and advice on the business strategies of our Group	None
Mr. QIU Dongxiao Larry (丘東曉)	61	Independent Non-executive Director	Listing Date*	Listing Date*	Supervising and providing independent opinion to our Board	None
Mr. YUEN Kai Yiu Kelvin (袁啟堯)	42	Independent Non-executive Director	Listing Date*	Listing Date*	Supervising and providing independent opinion to our Board	None
Ms. YUAN Jia (袁佳)	42	Independent Non-executive Director	Listing Date*	Listing Date*	Supervising and providing independent opinion to our Board	None

Note:

The appointment of Mr. QIU Dongxiao Larry, Mr. YUEN Kai Yiu Kelvin and Ms. YUAN Jia as our independent non-executive Directors will take effect on the Listing Date.

DIRECTORS AND SENIOR MANAGEMENT

The following table sets forth certain information regarding the senior management members of our Company (other than the Directors disclosed above).

Name	Age	Position	Date of appointment as senior management	Time of joining our Group	Responsibilities	Relationship with our Directors and senior management
Ms. SHENG Haiyan (盛海燕) . . .	37	Vice president	February 2015	February 2015	Overall management of book distribution and sales of our Group	None
Ms. LI Yan (李妍) . . .	46	Vice president	November 2017	November 2017	Overall management of branding, public relations and human resources of our Group	None
Mr. RAN Dong (冉棟) . . .	36	Chief financial officer and vice president	November 2020	September 2020	Overall financial management and investment of our Group	None

BOARD OF DIRECTORS

Executive Directors

Mr. ZHANG Xiaolong (張小龍), aged 39, is our executive Director, chief executive officer and chairman of the Board. He is primarily responsible for the overall strategic planning and business development and operation, as well as overall technological and curriculum development of our Group. Mr. Zhang started the business of our Group in February 2015 and has served as a director and chief executive officer of Fenbi Bluesky since then. He has also served as director and general manager of certain of our subsidiaries, including serving as the chairman of the board and general manager of Tianxia Education since November 2016 and as the executive director and general manager of Tianxia Culture from March 2016 to April 2019.

Prior to joining our Group, Mr. Zhang served as the director of operation of civil servants examination products at YLBJ, a subsidiary of YUAN Inc, from August 2013 to February 2015. Prior to that, he worked at Beijing Huatu Hongyang Education & Culture Corp., Ltd. (北京華圖宏陽教育文化發展股份有限公司) since August 2011.

Mr. Zhang obtained his bachelor's degree in philosophy from Guizhou University (貴州大學) in July 2005.

Mr. WEI Liang (魏亮), aged 38, is our executive Director, president and chief technology officer. He is primarily responsible for the overall management of online and offline tutoring business and technological matters of our Group. Mr. Wei co-founded our Group together with Mr. Zhang in February 2015 and has served as the president and chief technology officer of Fenbi Bluesky since then.

Prior to joining our Group, Mr. Wei worked at Tencent Technology (Beijing) Co., Ltd. (騰訊科技(北京)有限公司), which is a subsidiary of Tencent Holding Limited, a company listed on the Stock Exchange (stock code: 00700), from February 2012 to January 2015. He also served as the manager for wireless industry department at Kaixinren Network Technology (Beijing) Co., Ltd. (開心人網絡科技(北京)有限公司), which is a subsidiary of Shenzhen Sunwin Intelligent Co., Ltd. (深圳市賽為智能股份有

DIRECTORS AND SENIOR MANAGEMENT

限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300044), from April 2010 to January 2012. Prior to that, Mr. Wei worked at Sony Mobile Communication Products (China) Co., Ltd. (索尼移動通信產品(中國)有限公司) from February 2008 to March 2010.

Mr. Wei obtained a bachelor's degree in computer science from Wuhan University (武漢大學) in June 2005 and a master's degree in software engineering from Beihang University (北京航空航天大學) in January 2008.

Non-executive Directors

Mr. LI Yong (李勇), aged 48, is our non-executive Director and is primarily responsible for providing guidance and advice on the business strategies of our Group. He has also served as a director of Fenbi Bluesky since February 2015.

Mr. Li is a co-founder and chief executive officer of YUAN Inc since May 2012 and is primarily responsible for the strategic planning and overall operation of YUAN Inc. Prior to that, Mr. Li worked at NetEase, Inc., a company listed on NASDAQ (symbol: NTES) and the Stock Exchange (stock code: 9999), where he was primarily responsible for the operation of portal business since May 2005. Mr. Li is also a co-founder of HELLO GROUP INC., a company listed on NASDAQ (symbol: MOMO), where he previously served as a director from April 2012 to December 2015, and as an independent director from December 2015 to September 2022.

Mr. Li obtained a bachelor's degree in law from Renmin University in China in July 1996, and an MBA degree from Peking University in January 2006.

Ms. LI Xin (李鑫), aged 39, is our non-executive Director and is primarily responsible for providing guidance and advice on the business strategies of our Group. He has also served as a director of Fenbi Bluesky since February 2015.

Mr. Li is a co-founder of YUAN Inc since May 2012 and is primarily responsible for the overall management of branding and marketing of YUAN Inc. Prior to that, he worked at NetEase, Inc., a company listed on NASDAQ (symbol: NTES) and the Stock Exchange (stock code: 9999), where he was successively responsible for the development of financial information business and portal business during the period from June 2005 to February 2007 and from February 2010 to April 2012.

Mr. Li obtained a bachelor's degree in urban planning from Southwest University of Science and Technology (西南科技大學) in June 2005.

Mr. LI Zhaohui (李朝暉), aged 47, is our non-executive Director and is primarily responsible for providing guidance and advice on the business strategies of our Group. Mr. Li joined Tencent Holdings Limited (a company listed on the Stock Exchange with stock code of 700) in 2011, and currently serves as a managing partner of Tencent Investment and a vice president of Tencent. He was an investment principal at Bertelsmann Asia Investment Fund from September 2008 to May 2010.

Mr. Li also holds directorships at various other companies. He has served as a non-executive Director of Kuaishou Technology (a company listed on the Stock Exchange with stock code of 1024) since March 2017. He has been a director of KE Holdings Inc. (a company listed on the New York Stock Exchange with stock symbol of BEKE and listed on the Stock Exchange with stock code of 2423) since December 2018. He has been a director of Zhihu Inc. (a company listed on the New York Stock Exchange with stock symbol of ZH and listed on the Stock Exchange with stock code of 2390) since September 2015. He also served as a director of Missfresh Limited (a company listed on Nasdaq with stock symbol of MF) from June 2017 to November 2021, and as a director of Howbuy Wealth Management Co., Ltd. (a company whose shares are quoted on the National Equities Exchange and Quotations with stock code of 834418) from December 2013 to August 2022.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Li obtained a bachelor's degree in economics (majoring in enterprise management) from Peking University in July 1998 and an MBA degree from Duke University Fuqua School of Business in the United States in May 2004.

Mr. LI Zhaohui was named as a defendant in certain ongoing securities class action lawsuits (collectively, the "Lawsuits"), including (i) as one of the defendants in his capacity as a former director of NIO Inc., a company listed on the New York Stock Exchange (symbol of NIO) in ongoing securities class action lawsuits filed in the United States by investors in NIO securities against NIO Inc. in connection with NIO's initial public offering in September 2018, alleging that NIO's registration statement and prospectus contained misrepresentation, including alleged misstatements and omissions regarding NIO's plan to build a plant in Shanghai, the quality and design of NIO's electric vehicles, and the impact of reductions in government subsidies for electric vehicles on NIO's competitive advantage, (ii) as one of the defendants in his capacity as a director of KE Holdings Inc. in ongoing securities class action lawsuits against KE Holdings Inc. in the United States in connection with KE Holdings' various public filings since its initial public offering in August 2020, alleging its information disclosure contained misrepresentation, including statements regarding the number of agents and stores using the platforms of KE Holdings, and KE Holdings' gross transaction value and revenue, and (iii) as one of the defendants in his capacity as a former director of Missfresh Limited in ongoing securities class action lawsuits against Missfresh Limited in the United States in connection with Missfresh's initial public offering in June 2021, alleging its registration statement and prospectus contained misrepresentation, including Missfresh's financial figures. Plaintiffs in such Lawsuits seek monetary damages for alleged losses suffered as a result of these alleged misrepresentations. Mr. Li resigned from the board of NIO with effect from September 11, 2018 and resigned from the board of Missfresh Limited with effect from November 11, 2021.

To the knowledge of the Company, (i) with respect to the NIO-related Lawsuits, three securities class actions remain pending in U.S. courts; specifically, in the U.S. District Court for the Eastern District of New York (E.D.N.Y.), the Appellate Division of the Supreme Court of the State of New York (N.Y. Appellate Court), and the Supreme Court of the State of New York, County of Kings (Kings County). Mr. Li has not been served in the two New York state court actions. In the E.D.N.Y. action, *In re NIO, Inc. Securities Litigation*, 1:19-cv-01424, the Court denied the defendants' motion to dismiss on August 12, 2021, and the parties, including Mr. Li, are conducting fact discovery, which is set to complete by June 30, 2023. In the N.Y. Appellate Court action, *In re NIO Inc. Securities Litigation*, Case Nos. 2021-04183, 2021-04184, 2021-04552, plaintiffs commenced this appeal after the lower court granted certain defendants' motion to dismiss in *In re NIO Inc. Securities Litigation*, Index No. 653422/2019 (N.Y. Sup. Ct.). The parties completed appellate briefing on September 16, 2022, and an oral argument is set for November 15, 2022. Relatedly, on April 22, 2021, defendants commenced an appeal of the lower court's decision to lift the stay of the action. There has been no material development in this appeal. In the Kings County action, *Sumit Agarwal v. NIO Inc. et al.*, Index No. 505647/2019, the complaint was filed on March 14, 2019. The judge has yet to be assigned and there has not been any material development; (ii) with respect to the KE Holdings-related Lawsuits, namely *Chin v. KE Holdings Inc. et al.*, No. 1:21-cv-11196 (U.S. District Court for the Southern District of New York), plaintiffs filed an amended complaint on June 17, 2022. KE Holdings and other defendants subsequently filed their motion to dismiss on September 23, 2022. The action remains in its preliminary stage and pending for further procedures, and Mr. Li has not been served in this action; (iii) with respect to the Missfresh-related Lawsuits, namely *Chen v. Missfresh Limited et al.*, No. 1:22-cv-09836 (U.S. District Court for the Southern District of New York) which was transferred from U.S. District Court for the Eastern District of New York in November 2022, the complaint was filed on July 12, 2022. Mr. Li has not been served in this action which remains in its preliminary stage and there has not been any material development. None of the courts in the Lawsuits has ruled on whether the plaintiffs are entitled to relief under the relevant federal securities laws. The Board has been informed by Mr. Li that Mr. Li and the other defendants will defend the respective Lawsuits vigorously.

Securities class action lawsuit is not uncommon among companies listed in the United States. None of the Lawsuits involve the Group and the Board does not consider that the Lawsuits will have any material adverse impact on the business and/or operations of any member of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. QIU Dongxiao Larry (丘東曉), aged 61, is our independent non-executive Director and is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Qiu has been a chair professor and head of the Department of Economics at Lingnan University (嶺南大學) since January 2020. He was a professor at the Faculty of Business and Economics of University of Hong Kong (香港大學) from January 2008 to December 2019, and served as an associate dean at the Faculty of Business and Economics of University of Hong Kong from February 2012 to December 2019. Prior to that, Mr. Qiu served successively as assistant professor, associate professor and professor at Hong Kong University of Science and Technology (香港科技大學) since July 1993. He is the founding president of China Trade Research Group and was president of the Hong Kong Economic Association from 2015 to 2019. He also served as a Member of the Committee on the Promotion of Civic Education of Hong Kong from 2009 to 2011.

Mr. Qiu obtained a bachelor's degree in mathematics from Sun Yat-sen University (中山大學) in July 1983, a master's degree in arts and a doctorate degree in philosophy from University of British Columbia in May 1989 and November 1993, respectively.

Mr. YUEN Kai Yiu Kelvin (袁啟堯), aged 42, is our independent non-executive Director and is primarily responsible for supervising and providing independent opinion to our Board.

Mr. Yuen has served as the head of North Asia and chief financial officer at Allinfra Ltd. since April 2021. He previously worked at Macquarie Group over a 12 year period from August 2008 to April 2015 and from June 2015 to September 2020. During that period, Mr. Yuen has assumed senior roles including associate director and head of client coverage in Shanghai. Prior to that, he worked at AusNet Services (previously known as SP AusNet) from March 2005 to August 2008. Mr. Yuen also worked as a senior analyst at Deloitte from May 2003 to March 2005 in Australia.

Mr. Yuen obtained a bachelor's degree in commerce from University of Melbourne in March 2001. He became a member of The Institute of Chartered Accountants in Australia in April 2004.

Ms. YUAN Jia (袁佳), aged 42, is our independent non-executive Director and is primarily responsible for supervising and providing independent opinion to our Board.

Ms. Yuan has served as a vice dean at Beijing City University (北京城市學院) since July 2003. She has also served as the executive director of Beijing Capital Kids Future Education Technology Development Co., Ltd. (北京京童未來教育科技發展有限公司) since July 2019 where she is responsible for the general operation of the company, and as an independent director of Beijing Kaiwen Dexin Education Technology Co., Ltd. (北京凱文德信教育科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002659), since August 2022.

Ms. Yuan obtained a bachelor's degree in journalism from China Youth University of Political Studies (中國青年政治學院) in July 2003 and a master's degree in law from China University of Political Science and Law (中國政法大學) in January 2010.

SENIOR MANAGEMENT

Mr. ZHANG Xiaolong (張小龍), is our chief executive officer, executive Director and chairman of the Board. See “— Board of Directors” for details.

Mr. WEI Liang (魏亮), is our executive Director, president and chief technology officer. See “— Board of Directors” for details.

DIRECTORS AND SENIOR MANAGEMENT

Ms. SHENG Haiyan (盛海燕), aged 37, is our vice president, and is responsible for the overall management of book distribution and sales of our Group. Ms. Sheng joined our Group in February 2015 and has served as a director or senior management at certain of our subsidiaries, including serving as a vice president of Fenbi Bluesky since February 2015, as a vice president of Tianxia Culture since March 2016, as the executive director and general manager of Tianxia Culture since April 2019, as a director of Tianxia Education since November 2016, as the executive director and general manager of Beijing Shengshi Jintu Culture Communication Co., Ltd. since September 2020, and as a vice president of Lancai Tianxia since October 2020.

Prior to joining our Group, Ms. Sheng served as a deputy director of online career test preparation department of YLBJ, from August 2013 to February 2015. She also served as a full-time teacher at Beijing Huatu Hongyang Education & Culture Corp., Ltd. (北京華圖宏陽教育文化發展股份有限公司) from April 2010 to October 2013.

Ms. Sheng obtained a bachelor's degree in business administration from Shandong Normal University (山東師範大學) in June 2007 and a master's degree in economics from Renmin University of China (中國人民大學) in July 2010.

Ms. LI Yan (李妍), aged 46, is our vice president, and is responsible for the overall management of branding, public relations and human resources of our Group. Ms. Li joined our Group in November 2017 and has served as a vice president of Fenbi Bluesky since then.

Prior to joining our Group, Ms. Li served successively as an editor, marketing manager and chief editor at NetEase Media Technology (Beijing) Co., Ltd. (網易傳媒科技(北京)有限公司) from February 2002 to November 2017.

Ms. Li obtained a bachelor's degree in computer science from Beijing University of Posts and Telecommunications (北京郵電大學) in January 2004.

Mr. RAN Dong (冉棟), aged 36, is our chief financial officer and vice president. He is primarily responsible for the overall financial management and investment of our Group. Mr. Ran joined our Group in September 2020 and has served as a vice president of Fenbi Bluesky since November 2020.

Prior to joining our Group, Mr. Ran worked at Macquarie Group as a vice president from October 2017 to September 2020, and also held various positions there from July 2011 to July 2015 with his last position as a vice president. During the period from June 2015 to July 2017, he worked at UBS Securities Hong Kong Limited where he served as a director before his departure. Mr. Ran also served as an analyst at Rothschild (Hong Kong) Limited from April 2010 to August 2011. Prior to that, he served as an analyst at BOCI Asia Limited from August 2008 to March 2010.

Mr. Ran obtained a bachelor's degree in economics and finance from the University of Hong Kong (香港大學) in June 2008. He is a registered financial risk manager recognized by Global Association of Risk Professionals (全球風險專業人士協會) since August 2019.

JOINT COMPANY SECRETARIES

Mr. LEE Chung Shing (李忠成) is a joint company secretary of our Company. Mr. Lee has over 20 years of experience in providing services to listed companies in the areas of auditing, financial management, company secretarial services and investors relations. He is currently an assistant vice president in the Governance Services Department of Computershare Hong Kong Investor Services Limited, one of the joint company secretaries of Jilin Province Chuncheng Heating Company Limited (吉林省春城熱力股份有限公司) (a company listed on the Stock Exchange with stock code of 1853), and the company secretary of Shanghai Dasheng Agriculture Finance Technology Co., Ltd (上海大生農業金融科技股份有限公司) (a company listed on the Stock Exchange with stock code of 1103), Anhui Expressway Company Limited (a company listed on the Stock Exchange with stock code of 0995),

DIRECTORS AND SENIOR MANAGEMENT

International Housewares Retail Company Limited (a company listed on the Stock Exchange with stock code of 1373) and HK Acquisition Corporation (a company listed on the Stock Exchange with stock code of 7841).

Mr. Lee is currently an associate of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He obtained a bachelor's degree in accountancy from City University of Hong Kong and a master's degree in business administration (financial services) from The Hong Kong Polytechnic University.

Ms. WANG Tao (汪陶) is a joint company secretary of our Company. Ms. Wang joined our Group in March 2020 and has served as the financial director of Fenbi Bluesky since then. Prior to joining our Group, she served as a financial director at Beijing Afanti Technology Co., Ltd. (北京阿凡題科技有限公同) from August 2018 to October 2019. From October 2012 to May 2018, Ms. Wang held various positions at China Telecom Bestpay Co, Ltd. (天翼電子商務有限公司) where she served as the head of finance and capital department before her departure. Prior to that, Ms. Wang worked as an accountant at auto finance center of China CITIC Bank Corporation Limited (中信銀行股份有限公司) from July 2010 to July 2012.

Ms. Wang obtained a bachelor's degree in accounting with a double major in psychology from Peking University (北京大學) in July 2010 and a master's degree in business management from Tsinghua University (清華大學) in June 2017. She was accredited as a non-practicing certified public accountant by the Beijing Institute of Certified Public Accountants in April 2014 and as a chartered financial analyst by CFA Institute in December 2018.

BOARD COMMITTEES

Audit Committee

We have established an Audit Committee on December 20, 2022 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Audit Committee consists of three Directors, namely Mr. QIU Dongxiao Larry, Mr. YUEN Kai Yiu Kelvin and Ms. YUAN Jia, with Mr. YUEN Kai Yiu Kelvin being the chairman of the committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, oversee the audit process, review and oversee the existing and potential risks of our Group and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

We have established a Remuneration Committee on December 20, 2022 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of five Directors, namely Mr. QIU Dongxiao Larry, Mr. ZHANG Xiaolong, Mr. WEI Liang, Mr. YUEN Kai Yiu Kelvin and Ms. YUAN Jia, with Mr. QIU Dongxiao Larry being the chairman of the committee. The primary duties of the Remuneration Committee are to establish, review and provide advice to our Board on the structure of remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning remuneration, determine the terms of the specific remuneration package for each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a Nomination Committee on December 20, 2022 with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of five Directors, namely Mr. ZHANG Xiaolong, Mr. WEI Liang, Mr. QIU Dongxiao Larry, Mr. YUEN Kai Yiu Kelvin and Ms. YUAN Jia, with Mr. ZHANG Xiaolong being the chairman of the committee. The primary duties of the Nomination Committee are to make recommendations to our Board on the appointment of Directors of our Company and oversee the implementation of Board diversity policy.

BOARD DIVERSITY POLICY

We have adopted our board diversity policy, which sets out the objective and approach to achieve and maintain diversity in our Board in order to enhance the effectiveness of our Board. Our board diversity policy provides that our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy, and when nominating and appointing a Director, with the assistance of the nomination committee, the Board will consider a number of factors to diversify our board composition, including but not limited to professional experience, skills, knowledge, gender, age, cultural and educational background, ethnicity, length of service and the potential contributions that the candidate is expected to bring to our Board, in order to better serve the needs and development of our Company. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to our Board. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and the management levels. The Directors are of the view that our Board satisfies the board diversity policy. We recognize that the gender diversity at the Board level can be improved given the majority of our Directors are male. We will continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole. The Company will maintain at least one Director of different gender and at least 10% representation of director of different gender in our Board. We will maintain a focus on gender diversity when recruiting staff at mid to senior level so as to develop a pipeline of potential successors to our Board. We are also committed to adopting similar approach to promote diversity of the management (including but not limited to the senior management) of our Company to enhance the effectiveness of our corporate governance as a whole.

After the Listing, our nomination committee will review our board diversity policy and evaluate the implementation of the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of our board diversity policy on an annual basis.

CORPORATE GOVERNANCE

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer. Mr. ZHANG Xiaolong is our chairman and chief executive officer. With extensive experience in the non-formal VET industry, Mr. Zhang is responsible for the overall strategic planning and business development and operation, as well as overall technological and curriculum development of our Group and is instrumental to our growth and business expansion. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group and ensures consistent leadership within our Group and enables more effective and efficient overall strategic planning for our Group. The balance of power and authority is not impaired and is ensured by the operation of the senior management and our Board, which comprises experienced individuals. Upon the Listing, our Board will comprise two executive Directors (including Mr. Zhang), three

DIRECTORS AND SENIOR MANAGEMENT

non-executive Directors and three independent non-executive Directors and therefore has a fairly strong independence element in its composition. Our Board will continue to review and consider splitting the roles of chairman and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole. Save as disclosed above, we expect to comply with all code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules after the Listing.

DIRECTORS' REMUNERATION

We offer our executive Directors and senior management members, who are also employees of our Company, emolument in the form of salaries, remuneration, pension, discretionary bonus and other welfares. Our independent non-executive Directors receive emolument based on their responsibilities (including being members or chairman of Board committees). We adopt a market and incentive-based employee emolument structure and implement a multi-layered evaluation system which focuses on performance and management goals.

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances, share-based compensation and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were RMB2.5 million, RMB2.0 million, RMB113.1 million and RMB1.3 million, respectively. Under the arrangements currently in force, we estimate that the aggregate emoluments payable to the Directors (excluding discretionary bonus and any options granted pursuant to share incentive schemes) by our Company for the year ending December 31, 2022 will be approximately RMB3.0 million.

The five highest paid individuals of our Group for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 included nil, nil, one and nil Director, respectively, whose emolument is included in the aggregate amount we paid to the relevant Directors set out above. For the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the aggregate emoluments payable to the remaining five, five, four and five highest paid individuals who were not Directors of our Group were RMB12.2 million, RMB72.1 million RMB182.1 million and RMB53.2 million, respectively.

During the Track Record Period, no remuneration was paid to, or receivable by, our Directors or the five highest paid individuals of our Company as an inducement to join or upon joining our Company or as a compensation for loss of office in the Track Record Period. Further, none of our Directors had waived any emolument during the same period.

Save as disclosed above, no other payments have been paid, or are payable, by our Company or any of our subsidiaries to our Directors or the five highest paid individuals of our Company during the Track Record Period.

SHARE INCENTIVE SCHEME

We adopted the Pre-IPO Share Option Scheme in December 2020. See “History, Reorganization and Corporate Structure — Share Incentive Scheme” and “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme” for details.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed Maxa Capital Limited as our Compliance Advisor pursuant to Rules 3A.19 and 19A.05 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and other applicable laws, rules, codes and guidelines. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company in certain circumstances including:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might constitute a notifiable or connected transaction under the Listing Rules, is contemplated, including share issues and share repurchases;
- (3) where we propose to use the net proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares or any other matters under Rule 13.10 of the Listing Rules.

The term of the appointment will commence on the Listing Date and end on the date on which we distribute the annual report of the first full financial year commencing after the Listing and such appointment may be subject to extension by mutual agreement.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company as of the date of this prospectus and immediately after the Global Offering.

As of the date of this prospectus ⁽¹⁾	Aggregate nominal value of Shares
	(US\$)
Authorized share capital	
3,327,525,000 class A ordinary shares of a par value of US\$0.00001 each . . .	33,275.25
224,656,000 class B ordinary shares of a par value of US\$0.00001 each	2,246.56
1,132,522,000 series A preferred shares of a par value of US\$0.00001 each . .	11,325.22
315,297,000 series B preferred shares of a par value of US\$0.00001 each . . .	3,152.97
Issued share capital	
728,623,000 class A ordinary shares of a par value of US\$0.00001 each	7,286.23
1,033,388,000 series A preferred shares of a par value of US\$0.00001 each . .	10,333.88
315,297,000 series B preferred shares of a par value of US\$0.00001 each . . .	3,152.97
Immediately after completion of the Global Offering	
Authorized share capital	
5,000,000,000 Shares of a par value of US\$0.00001 each	50,000.00
Issued share capital	
2,077,308,000 Shares of a par value of US\$0.00001 each in issue	20,773.08
20,000,000 Shares of a par value of US\$0.00001 each to be issued under the Global Offering.	200.00
2,097,308,000 Shares of a par value of US\$0.00001 each in total	20,973.08

(1) Unless otherwise stated, the number of shares are adjusted to reflect the Share Subdivision.

ASSUMPTIONS

The above table assumes that (1) the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering; (2) the Over-allotment Option is not exercised; and (3) no issue of any Shares that may be issued under the Pre-IPO Share Option Scheme or any Shares that may be allotted and issued or repurchased pursuant to the general mandate given to the Directors for allotment and issuance of Shares referred to in Appendix IV in this prospectus or the repurchase mandate referred to in Appendix IV to this prospectus, as the case may be.

RANKING

The Offer Shares are ordinary shares in the share capital of our Company and upon completion of the Global Offering, and will rank *pari passu* in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this prospectus.

SHARE INCENTIVE SCHEME

See “History, Reorganization and Corporate Structure” and “Appendix IV — Statutory and General Information — D. Pre-IPO Share Option Scheme” for details and principal terms of the Pre-IPO Share Option Scheme.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

After completion of the Global Offering, our Company will have only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (1) increase its capital; (2) consolidate and divide its capital into shares of larger amount; (3) divide its shares into several classes; (4) subdivide its shares into shares of smaller amount; and (5) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See “Appendix III — Summary of the Constitution of the Company and Cayman Islands Companies Act — 2 Articles of Association — 2.1 Shares — (c) Alteration of capital” for details.

Pursuant to the Companies Act and the terms of our Memorandum and Articles of Association, all or any of the special rights attached to the Shares or any class of Shares may be varied, modified or abrogated either with the consent in writing of not less than three quarters of the voting rights of the holders of the Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. For more details, see “Appendix III — Summary of the Constitution of the Company and Cayman Islands Companies Act — 2 Articles of Association — 2.1 Shares — (b) Variation of rights of existing shares or classes of shares.” Further, our Company will also hold general meetings from time to time as may be required under the Articles, a summary of which is set out in “Appendix III — Summary of the Constitution of the Company and Cayman Islands Companies Act.”

GENERAL MANDATE TO ISSUE SHARES AND GENERAL MANDATE TO REPURCHASE SHARES

Subject to conditions set forth in “Structure of the Global Offering — Conditions of the Global Offering”, our Directors have been granted a general unconditional mandate to allot, issue and deal with and repurchase Shares.

See “Appendix IV — Statutory and General Information — A. Further Information about Our Company — 3. Resolutions of the Shareholders of our Company passed on December 20, 2022” for further details.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Pre-IPO Share Option Scheme), the following persons will have interests or short positions in Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or, will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders of our Company under the Listing Rules:

Long positions in our Company

Name	Capacity/Nature of interest	As of the Latest Practicable Date		Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme)	
		Number of Shares ⁽¹⁾	Approximate percentage	Number of Shares ⁽¹⁾	Approximate percentage
ZHANG Xiaolong ⁽²⁾⁽³⁾	Interest in controlled corporation	257,200,000 (L)	12.38%	257,200,000 (L)	12.26%
	Interest held jointly with another person	504,257,000 (L)	24.27%	504,257,000 (L)	24.04%
Chalk Sky Ltd ⁽³⁾	Beneficial interest	257,200,000 (L)	12.38%	257,200,000 (L)	12.26%
Sonata (BVI) Limited ⁽³⁾	Interest in controlled corporation	257,200,000 (L)	12.38%	257,200,000 (L)	12.26%
LI Yong ⁽²⁾⁽⁴⁾	Interest in controlled corporation	259,736,000 (L)	12.50%	259,736,000 (L)	12.38%
	Interest held jointly with another person	501,721,000 (L)	24.15%	501,721,000 (L)	23.92%
Liang Ma Limited ⁽⁴⁾	Beneficial interest	259,736,000 (L)	12.50%	259,736,000 (L)	12.38%
LI Xin ⁽²⁾⁽⁵⁾	Beneficial interest	79,132,000 (L)	3.81%	79,132,000 (L)	3.77%
	Interest in controlled corporation	80,224,000 (L)	3.86%	80,224,000 (L)	3.83%
	Interest held jointly with another person	602,101,000 (L)	28.98%	602,101,000 (L)	28.71%
WEI Liang ⁽²⁾⁽⁶⁾	Interest in controlled corporation	57,665,000 (L)	2.78%	57,665,000 (L)	2.75%
	Beneficial interest	27,500,000 (L)	1.32%	27,500,000 (L)	1.31%
	Interest held jointly with another person	676,292,000 (L)	32.55%	676,292,000 (L)	32.25%
Ocorian Trust Company ⁽³⁾⁽⁶⁾	Trustee	314,865,000 (L)	15.16%	314,865,000 (L)	15.01%
Tencent Shareholders					
Morespark Limited ⁽⁷⁾	Beneficial interest	84,724,000 (L)	4.08%	84,724,000 (L)	4.04%
Tencent Mobility Limited ⁽⁷⁾	Beneficial interest	178,736,000 (L)	8.60%	178,736,000 (L)	8.52%
Triple Max Holding Limited ⁽⁷⁾	Beneficial interest	8,694,000 (L)	0.42%	8,694,000 (L)	0.41%
TPP Opportunity I Holding C Limited ⁽⁷⁾	Beneficial interest	13,042,000 (L)	0.63%	13,042,000 (L)	0.62%
TPP Fund II Holding C Limited ⁽⁷⁾	Beneficial interest	8,330,000 (L)	0.40%	8,330,000 (L)	0.40%
IDG USD Fund Shareholders					
Modish Century Limited ⁽⁸⁾	Beneficial interest	40,485,630 (L)	1.95%	40,485,630 (L)	1.93%
IDG-Accel China Growth Fund III L.P. ⁽⁸⁾	Beneficial interest	142,454,000 (L)	6.86%	142,454,000 (L)	6.79%
IDG-Accel China III Investors L.P. ⁽⁸⁾	Beneficial interest	10,108,000 (L)	0.49%	10,108,000 (L)	0.48%
EVEN CLASSIC LIMITED ⁽⁸⁾	Beneficial interest	25,506,000 (L)	1.23%	25,506,000 (L)	1.22%
Spring Moment Limited ⁽⁸⁾	Beneficial interest	5,366,000 (L)	0.26%	5,366,000 (L)	0.26%

SUBSTANTIAL SHAREHOLDERS

Name	Capacity/Nature of interest	As of the Latest Practicable Date		Immediately upon completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme)	
		Number of Shares ⁽¹⁾	Approximate percentage	Number of Shares ⁽¹⁾	Approximate percentage
IDG RMB Fund Shareholder					
Merchant Skill Limited ⁽⁸⁾	Beneficial interest	24,291,370 (L)	1.17%	24,291,370 (L)	1.16%
Matrix Shareholders					
Matrix Partners China II, L.P. ⁽⁹⁾	Beneficial interest	134,884,800 (L)	6.49%	134,884,800 (L)	6.43%
Matrix Partners China II-A, L.P. ⁽⁹⁾	Beneficial interest	14,987,200 (L)	0.72%	14,987,200 (L)	0.71%
Hillhouse Shareholders					
VH PDII Holdings Limited ⁽¹⁰⁾	Beneficial interest	8,148,000 (L)	0.39%	8,148,000 (L)	0.39%
HH AUT-XI Holdings Limited ⁽¹⁰⁾	Beneficial interest	84,724,000 (L)	4.08%	84,724,000 (L)	4.04%
SUM XIII Holdings Limited ⁽¹⁰⁾	Beneficial interest	32,148,000 (L)	1.55%	32,148,000 (L)	1.53%

- (1) The letter “L” denotes the person’s long position in the Shares. The number of shares are adjusted to reflect the Share Subdivision unless otherwise stated.
- (2) Mr. Zhang, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin entered into a concert party agreement to acknowledge and confirm their acting-in-concert relationship in relation to the Company. See “History, Reorganization and Corporate Structure” and “Relationship with Our Controlling Shareholders — Our Controlling Shareholders” for details. Under the SFO, Mr. Zhang, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin are deemed to be interested in the Shares which each other has interest in.
- (3) Mr. ZHANG Xiaolong is deemed to be interested in the entire interests held by Chalk Sky Ltd, which is owned as to (a) 99.998% by Sonata (BVI) Limited, which is in turn wholly owned by Ocorian Trust Company as the trustee for ZXI Family Trust with Mr. ZHANG Xiaolong as the settlor and protector, and (b) 0.002% by Chalk Star Ltd, which is wholly owned by Mr. ZHANG Xiaolong.
- (4) Liang Ma Limited is wholly-owned by Mr. LI Yong.
- (5) Green Creek Holding Limited is wholly-owned by Mr. LI Xin. Taurus Fund L.P. is a Cayman Islands Limited partnership, the general partner of which is controlled by Mr. LI Xin. Mr. LI Xin is deemed to be interested in the entire interests held by Green Creek Holding Limited and Taurus Fund L.P.
- (6) Mr. WEI Liang is deemed to be interested in the entire interests held by Chalk World Ltd, which is owned as to (a) 99.998% by Creciendo (BVI) Limited, which is in turn wholly owned by Ocorian Trust Company as the trustee for WL Family Trust with Mr. WEI Liang as the settlor and protector, and (b) 0.002% by Chalk Wonder Ltd, which is wholly owned by Mr. WEI Liang. Mr. Wei is also interested in 27,500,000 Shares underlying the outstanding options granted to him pursuant to the Pre-IPO Share Option Scheme.
- (7) Morespark Limited, Tencent Mobility Limited, Triple Max Holding Limited, TPP Opportunity I Holding C Limited, and TPP Fund II Holding C Limited are ultimately controlled by Tencent Holdings Limited, a company listed on the Stock Exchange (stock code: 700).
- (8) IDG-Accel China Growth Fund III L.P. and IDG-Accel China III Investors L.P. are exempted limited partnerships incorporated under the laws of the Cayman Islands which are ultimately controlled by Mr. Quan Zhou and Mr. Chi Sing Ho. Each of Modish Century Limited and Spring Moment Limited is a BVI business company and wholly owned by IDG Breyer Capital Fund L.P. which is ultimately controlled by Mr. Quan Zhou and Mr. Chi Sing Ho. EVEN CLASSIC LIMITED is a BVI business company ultimately controlled by Mr. Chi Sing Ho. Merchant Skill Limited is a BVI business company and wholly owned by Shang Hai Jin Zhi Enterprise Management Consulting Partnership (Limited Partnership) (上海瑾芝企業管理諮詢合夥企業(有限合夥)), the sole general partner of which is Tibet Yu Chi Venture Capital Management Co. Ltd (西藏昱馳創業投資管理有限公司), a limited liability company established in the PRC and owned by Jingbo Wang, Kuiguang Niu and Fei Yang, all of whom are IDG Capital partners.
- (9) The general partner of Matrix Partners China II, L.P. and Matrix Partners China II-A, L.P. is Matrix China Management II, L.P. The general partner of Matrix China Management II, L.P. is Matrix China II GP GP, Ltd.
- (10) Each of SUM XIII Holdings Limited, VH PDII Holdings Limited and HH AUT-XI Holdings Limited is wholly-owned by Hillhouse Fund IV, L.P., the sole investment manager of which is Hillhouse Investment Management, Ltd.

SUBSTANTIAL SHAREHOLDERS

For details of the substantial shareholders who will, directly or indirectly, have interests in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any member of our Group other than our Company, see “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders.”

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the Pre-IPO Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

FINANCIAL INFORMATION

You should read the following discussion in conjunction with the consolidated financial statements and the notes thereto as set forth in the Accountant's Report in Appendix I to this prospectus. You should read the entire Accountant's Report in Appendix I to this prospectus and not rely merely on the information contained in this section. The Accountant's Report has been prepared in accordance with the International Financial Reporting Standards (the "IFRS"), which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. Our actual results may differ from those anticipated in these forward-looking statements as a result of any number of factors, including those set forth in "Forward-looking Statements" and "Risk Factors." In evaluating our business, you should carefully consider the information provided in "Risk Factors" in this prospectus.

OVERVIEW

We are a non-formal VET service provider in China, dedicated to making high-quality non-formal VET services accessible through technology and innovation. As a leading career test preparation service provider in China, we primarily provide recruitment and qualification examination tutoring courses for adult students pursuing careers in government-sponsored institutions and a number of professions and industries. Leveraging our high-quality tutoring services, comprehensive course offerings, and student-centric teaching philosophy, we have successfully established "Fenbi" amid the most recognized brands in China's career test preparation industry.

We offer a wide range of test preparation courses addressing various educational needs of adult students in China, primarily including civil servants examination tutoring courses, public institution employees examination tutoring courses, teacher qualification and recruitment tutoring courses, and other test preparation courses. We deliver our tutoring services through omni-channels. In the online tutoring setting, our instructors deliver courses in live or pre-recorded format and interact with students on Fenbi online platform. In the offline tutoring setting, our instructors deliver courses by way of classroom teaching. In addition, students taking either online or offline tutoring courses may supplement their learning with our feature-rich online learning products and toolkits. The total paid enrollments of our tutoring courses and online products increased from 6.0 million in 2019 to 9.6 million in 2020 and further to 9.8 million in 2021. We had total paid enrollments of our tutoring courses and online products of 4.1 million in the six months ended June 30, 2022. The paid enrollments of our formal courses increased from 1.4 million in 2019 to 1.8 million in 2020 and further to 2.6 million in 2021. We had total paid enrollments of our formal courses of 1.2 million in the six months ended June 30, 2022.

During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. Our revenue increased by 83.7% from RMB1,160.3 million in 2019 to RMB2,132.1 million in 2020, and further increased by 60.8% to RMB3,428.6 million in 2021. We generated revenue of RMB1,451.0 million in the six months ended June 30, 2022. We recorded net profit of RMB154.1 million in 2019 and net loss of RMB484.5 million, RMB2,046.0 million and RMB391.8 million in 2020, 2021 and the six months ended June 30, 2022, respectively. We recorded adjusted net profit (non-IFRS measure) of RMB175.2 million in 2019, adjusted net loss (non-IFRS measure) of RMB362.8 million and RMB822.4 million in 2020 and 2021, respectively, and adjusted net profit (non-IFRS measure) of RMB95.6 million in the six months ended June 30, 2022. See "— Non-IFRS Measure" for a reconciliation of our profit/loss for the year/period to adjusted net profit/loss (non-IFRS measure).

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BASIS OF PREPARATION

Our historical financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board. The historical financial information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss.

The preparation of historical financial information in conformity with IFRS requires the use of certain critical accounting estimates, as well as our management's judgment in applying our accounting policies. See Note 4 to the Accountant's Report in Appendix I to this prospectus for the areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the historical financial information.

All effective standards, amendments to standards and interpretations which are mandatory for the financial year beginning January 1, 2019, including IFRS 16 Leases, are consistently applied to our Group throughout the Track Record Period.

GENERAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our business, results of operations and financial condition have been, and are expected to continue to be, affected by various general factors, including primarily the following.

Demand for Career Test Preparation Services in China

Our business has benefited from the increasing demand for career test preparation services in China, which has been, and will continue to be, driven by a number of factors, including favorable government policies, technological innovation, service upgrade, intensified competition in the relevant job market, and trend toward OMO integration. According to the F&S Report, the penetration rate of career test preparation services in China is expected to increase from 25.6% in 2021 to 28.9% in 2026. See "Industry Overview" for details. Changes in these factors, especially changes in the recruitment plans and procedures of government-sponsored positions and the PRC laws and regulations regarding career test preparation, would have a significant effect on the demand for our tutoring services, and in turn, our business and prospects. Our ability to anticipate and respond to evolving industry trends and market demands will have a significant impact on our future performance.

Seasonality

The timing at which students purchase our tutoring courses and learning products is subject to seasonal fluctuations in relation to the examination cycle. For example, the written tests of the National Civil Servants Examination are normally held in November or December of a year, and the corresponding interview tests are normally held in February or March of the following year. As for the Regional Civil Servants Examination, the written tests and the interview tests (following the announcement of the written test results) are normally held in the first half of a year. The timing at which students submit refund requests is also subject to the release schedule of the examination results, and typically follows the release of the results. The movement of our refund liabilities and liquidity position may, accordingly, be subject to seasonal fluctuations. As a result, our operating and financial metrics for an interim period may not be representative of our overall performance. Changes in seasonal trends may cause fluctuations in our results of operations and financial condition.

SPECIFIC FACTORS AFFECTING OUR RESULTS OF OPERATIONS

In addition to general economic and industry factors, we believe the following company-specific factors have had, and will continue to have, a significant impact on our results of operations and financial condition.

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Level of Paid Enrollments and Course Fees

Our results of operations depend substantially on the paid enrollments of our tutoring courses and products. The total paid enrollments of our tutoring courses and online products increased from 6.0 million in 2019 to 9.6 million in 2020 and further to 9.8 million in 2021. We had total paid enrollments of our tutoring courses and online products of 4.1 million in the six months ended June 30, 2022. In particular, the paid enrollments of our formal courses increased from 1.4 million in 2019 to 1.8 million in 2020 and further to 2.6 million in 2021. We had total paid enrollments of our formal courses of 1.2 million in the six months ended June 30, 2022. The level of our paid enrollments depends on a number of factors, including primarily the perceived quality and effectiveness of our services. We believe that our in-house developed, well-designed curricula and learning materials and high-caliber teaching staff are critical in attracting students and driving word-of-mouth referrals. We will continue to leverage our online learning toolkits and products and promotional courses to expand our user base in a cost-effective manner. However, an increase in the promotional course offerings to generate user traffic and grow user base may not result in an immediate and proportional growth in our revenue in the same period, due to the low level of course fees we charge for such courses as a marketing strategy. We may from time to time adjust our marketing strategies to compete more effectively. Furthermore, we believe that our paid enrollments will be driven by our ability to expand our course offerings and capture cross-selling and up-selling opportunities among our broad student base. For example, we have expanded, and will continue to develop, our course offerings beyond the non-formal VET market. By doing so, we aim to establish a comprehensive learning platform along the entire career development path of our students.

Our results of operations are also affected by the level of course fees that we can charge our students. We generally determine the course fees based on various factors, including subject matter, examination cycle, level of sophistication of the course, course coverage, add-on services and competition. See “Business — Our Tutoring Services — Course Fees and Refund Policies” for details. For example, for our online tutoring services, our course fee levels differ between systematic tutoring courses and premium tutoring courses, and the course fees of classroom-based tutoring courses are relatively higher than that of our online tutoring courses. During the Track Record Period, the launch of our classroom-based tutoring courses on a large-scale basis and our online premium courses contributed to raising the upper range of our course fees. The gross billings from our online tutoring courses and learning products were RMB1,075.9 million, RMB1,358.3 million, RMB2,140.4 million, RMB1,138.9 million and RMB1,132.9 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, and the paid enrollments were approximately 5.9 million, 8.9 million, 8.9 million, 4.9 million and 3.9 million in the same periods, respectively. The gross billings from our classroom-based tutoring courses were RMB576.6 million, RMB2,790.0 million, RMB4,404.0 million, RMB3,228.0 million and RMB954.1 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, and the paid enrollments were approximately 71,000, 710,000, 836,000, 597,000 and 206,000 in the same periods, respectively. We were generally able to sustain the course fee level of each type of course and for each examination subject during the Track Record Period. As we continue to reinforce our market leadership and enhance the coverage and quality of our course offerings, we may adjust our pricing strategy from time to time accordingly. Any future changes in the offering of courses at different fee levels would affect our overall results of operations and financial condition.

Change in Service Offering Mix

During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. Our service offering mix affects our results of operations, especially our overall profit margin. For example, our classroom-based tutoring services has made significant contribution to our overall revenue growth since the launch on a large-scale basis in May 2020. Revenue generated from online tutoring services accounted for 56.7%, 46.2%, 40.7%, 36.0% and 49.4% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively; and revenue generated from classroom-based tutoring services accounted for 30.5%, 41.6%, 47.2%, 53.3% and 36.1% of our total revenue in the same periods, respectively. The profit margins vary across our different business lines.

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During the Track Record Period, the gross profit margin of our online tutoring services was higher than that of our classroom-based tutoring services as we incurred substantial costs and expenses to support our launch of classroom-based tutoring on a large-scale basis, which affected our overall gross profit margin. Any future change in our online or offline service offering mix or change in profit margin of any business line may have a corresponding impact on our overall gross profit margin.

In addition, our formal courses can be classified as non-contractual classes and contractual classes from revenue recognition perspective. The course fees for contractual classes are partially or fully refundable if the students complete the classes but fail to pass the examination as specified in our agreement. As a result, although the course fees for contractual classes are generally higher than that for the non-contractual classes of the same course, an increase in our gross billings contributed from the enrollment in contractual classes may not necessarily result in an immediate and proportional growth in our revenue during the same period. After the examination results are released, we will have to refund the course fees upon the completion of review of valid refund requests from our students. As the actual refund requests may differ from our initial estimation, we may have to reverse revenue previously recognized or recognize additional revenue. We may also experience fluctuation in our liquidity position due to these refund requests in a certain period. As a result, changes in the proportion of our contractual classes may affect our financial position due to the relevant accounting treatment.

Ability to Control Cost and Expenses

Our ability to effectively control our cost and expenses while achieving expected business growth is critical to our profitability. A significant component of our cost of sales and operating expenses is employee benefit expenses, which increased significantly during the Track Record Period in connection with our business growth and expansion. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our total employee benefit expenses were RMB338.4 million, RMB1,173.3 million, RMB2,719.2 million, RMB1,411.7 million and RMB771.3 million, respectively, representing 29.2%, 55.0%, 79.3%, 74.9% and 53.2% of our total revenue of the same periods, respectively, primarily due to changes in the headcount. The following table sets forth a breakdown of our full-time employees by function as of the dates indicated.

Function	As of December 31,			As of June 30,
	2019	2020	2021	2022
Instructors and other teaching staff	755	7,671	5,302	4,075
Sales and marketing	474	3,713	2,475	2,409
General administration and operations	100	926	635	359
Content and technological development ⁽¹⁾	212	354	344	349
Production of textbooks and learning materials	51	139	208	196
Total	1,592	12,803	8,964	7,388

(1) In addition to our content development personnel, certain of our teaching staff participate in our content development activities from time to time, leveraging their frontline teaching experience.

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The following table sets forth the average, and the range of, monthly salary of our full-time employees by function for the periods indicated.

Function	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	Average	Range	Average	Range	Average	Range	Average	Range
	(RMB)							
Instructors and other teaching staff	13,300	6,500–41,900	9,500	5,800–42,200	8,900	3,500–48,900	8,900	3,100–139,300
Sales and marketing	12,300	6,300–45,900	7,600	4,800–32,900	6,400	3,200–45,900	6,800	2,100–33,900
General administration and operations	24,600	2,200–68,300	13,600	2,200–68,400	9,300	2,100–64,900	11,900	1,700–76,800
Content and technological development ⁽¹⁾	23,300	9,700–58,100	20,900	8,000–62,700	18,300	5,900–67,000	18,600	4,500–77,400
Production of textbooks and learning materials	15,700	9,100–24,000	12,600	2,200–20,900	9,100	4,000–21,700	8,900	4,000–22,000

(1) In addition to our content development personnel, certain of our teaching staff participate in our content development activities from time to time, leveraging their frontline teaching experience.

Employee benefit expenses recorded as cost of sales were incurred for our teaching team, and to a lesser extent, our employees involved in the production of our textbooks and learning materials. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our employee benefit expenses recorded as cost of sales were RMB123.8 million, RMB670.1 million, RMB1,439.9 million, RMB792.1 million and RMB382.2 million, respectively, representing 10.7%, 31.4%, 42.0%, 42.0% and 26.3% of our total revenue of the same periods, respectively. Particularly, the number of our instructors and other teaching staff increased significantly from approximately 800 as of December 31, 2019 to approximately 7,700 as of December 31, 2020 and further to approximately 10,000 as of March 31, 2021 in support of our business growth and offline expansion. While we incurred recruitment and training costs to recruit new instructors and other teaching staff in preparation for our offline expansion, we only began to generate revenue gradually after we launched and delivered classroom-based tutoring courses. As a result, our overall profitability was adversely affected in the short run. To effectively manage our growth and improve our profitability, we optimized the structure of our teaching team to comprise approximately 5,300 members as of December 31, 2021 and further to approximately 4,100 members as of June 30, 2022, as compared to approximately 10,000 as of March 31, 2021. Our instructors and other teaching staff as of June 30, 2022 have been with us for an average of approximately 1.8 years as of the same date. The following table sets forth the changes in the number of our instructors and other teaching staff during the Track Record Period.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
As of the beginning of the period	341	755	7,671	5,302
Recruitments	636	8,930	5,708	141
Departures	(222)	(2,014)	(8,077)	(1,368)
Net increase/(decrease)	414	6,916	(2,369)	(1,227)
As of the end of the period	755	7,671	5,302	4,075

Going forward, we plan to improve the utilization of our teaching staff by increasing the number of students each teaching staff serves and the number of their teaching hours without compromising the teaching quality and the learning experience for our students.

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In addition, since the launch of our classroom-based tutoring on a large-scale basis in May 2020, we had established an extensive offline network covering over 220 cities across 31 provinces, autonomous regions and municipalities in China as of June 30, 2022. Expanding into new geographical markets poses challenges and uncertainties and requires us to invest managerial, financial, marketing and other resources. We typically establish subsidiaries and branch offices in select cities of a region, which operate as local operational hubs for such region. Leveraging these operational hubs, we gradually attract students to attend classroom-based courses from adjacent cities of the same region. In addition to the employee benefit expenses incurred under cost of sales for local teaching staff, we generally incur additional operating expenses for each newly established operational hub, such as rental, renovation expenses, property management fees, depreciation and amortization, promotion expenses and other miscellaneous fees, as well as employee benefit expenses for our local supportive staff, such as administrative and sales and marketing staff. We believe such investments were indispensable to the expansion of our geographical coverage in order to capture significant offline monetization opportunities and achieve long-term profitable growth. However, it takes time for a newly established local operational hub to attract students from the target area and generate revenue. As we have successfully built our nationwide coverage and established our offline operation team, we will focus on increasing the paid enrollments of our classroom-based courses in a cost-effective and asset-light manner. Going forward, we plan to mainly leverage the existing local operational hubs to promote our offline courses and direct more prospective students from the surrounding areas to attend our courses. We also expect to improve our operational efficiency with accumulated operational experience. As such, we expect to manage our cost and expenses more effectively.

Our Technology and Infrastructure

We are a market leader in China's career test preparation industry with proprietary technology infrastructure. Historically, we made significant investment in our R&D activities as we continued to improve our technology infrastructure and expand and upgrade our portfolio of online learning toolkits and products. We believe that our continued investments in technological development have enabled us to provide effective learning experience to our students and improve our own operational efficiency. Our future success depends on the development and application of advanced technologies to continuously enhance the learning experience for our students and achieve greater OMO synergy. To that end, we intend to devote more resources to our technological development. See "Business — Growth Strategies — Strengthen our technologies and data analytics capability." We also intend to continue to maintain, upgrade and expand our technological infrastructure to better serve our growing student base. These initiatives may increase our research and development expenses and impact our results of operations. We expect that our strategic focus on technological capability will continue to create entry barriers and enhance our market leadership, which in turn will enable us to achieve sustainable business growth.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates that we believe are most significant to the preparation of our consolidated financial statements. Our significant accounting policies and estimates, which are important for understanding our results of operations and financial condition, are set forth in Note 2 and Note 4 to the Accountant's Report in Appendix I to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgment based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider our selection of critical accounting policies, the judgment and other uncertainties affecting the application of such policies, and the sensitivity of reported results to changes in conditions and assumptions.

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Revenue Recognition

Revenue is recognized when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by our performance as we perform;
- our performance creates and enhances an asset that the customer controls as we perform; or
- our performance does not create an asset with an alternative use to us and we have an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

As for sales of books, we conduct consignment sales under consignment arrangements with certain distributor that undertakes to sell the books to their end-customers on behalf of our Group. We recognize revenue when the control of the goods is transferred to the end-customers.

Contracts with customers may include multiple performance obligations. For such arrangements, we allocate revenue to each performance obligation based on its relative standalone selling price. We generally determine standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimates have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgments on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, we present the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between our performance and the customer's payment. A contract asset is our right to consideration in exchange for goods and services that we have transferred to a customer. A receivable is recorded when we have an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. If a customer pays consideration or we have a right to an amount of consideration that is unconditional, before we transfer a good or service to the customer, we present the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is our obligation to transfer goods or services to a customer for which we have received consideration (or an amount of consideration is due) from the customer.

We recognize a refund liability if we receive consideration from a customer and expect to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) which we do not expect to be entitled to (i.e., amounts not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) will be updated at the end of each reporting period for changes in circumstances.

During the Track Record Period, we mainly generated revenues from providing tutoring services and selling books.

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Provision of tutoring services

The course that we provide to customers can be classified as non-contractual classes and contractual classes based on different refund policies.

Course fees are generally received in advance prior to the beginning of certain courses. We recognize as revenue at the minimum amount of variable consideration in the transaction price if there is the amount that is not constrained (the “minimum amount”). The minimum amount is recognized proportionately over the relevant period in which the services are rendered.

As for constraint on the amount of variable consideration, we will recognize some or all of the amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Sales of books

Revenue from sales of books is recognized when or as the control of the products is transferred to a customer. Control of the products is transferred to customers when an agreement has been signed with a customer and the required documents have been delivered.

Leases

Leases are recognized as a right-of-use asset and a corresponding liability at the date when the leased asset is available for our use.

Lease agreements may contain both lease and non-lease components. We allocate the consideration in the agreements to lease and non-lease components based on their relative standalone prices. However, for lease agreements of real estate under which we are a lessee, we have elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease agreement are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by us under residual value guarantees;
- the exercise price of a purchase option if we are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects we exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease agreement. If such rate cannot be readily determined, the lessee’s incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost, taking into consideration the amount of the initial measurement of lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs, and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If we are reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. There were no low-value assets during the Track Record Period.

Investment and Other Financial Assets

Classification

We classify our financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- those to be measured at amortized cost.

The classification depends on our business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the classification will depend on whether we have made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

We reclassify debt investments when and only when our business model for managing those assets changes.

Recognition and derecognition

Regular-way purchases and sales of financial assets are recognized on trade date, the date on which we commit to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and we have transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, we measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

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Debt instruments

Subsequent measurement of debt instruments depends on our business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which we classify its debt instruments:

- **Amortized cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.
- **Fair value through other comprehensive income:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income will be reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

We subsequently measure all equity investments at fair value. Where our management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when our right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

Impairment

We assess on a forward-looking basis the expected credit loss associated with our debt instruments carried at amortized cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, we apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. See Note 17 to the Accountant's Report in Appendix I to this prospectus for further details.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Revenue	RMB	% of Revenue	RMB	% of Revenue	RMB	% of Revenue	RMB	% of Revenue
	(RMB in thousands except for percentages)									
	(Unaudited)									
Revenue	1,160,315	100.0	2,132,074	100.0	3,428,559	100.0	1,885,417	100.0	1,451,032	100.0
Cost of sales	(624,073)	(53.8)	(1,642,142)	(77.0)	(2,587,692)	(75.5)	(1,562,874)	(82.9)	(761,721)	(52.5)
Gross profit	536,242	46.2	489,932	23.0	840,867	24.5	322,543	17.1	689,311	47.5
Administrative expenses	(142,424)	(12.3)	(484,342)	(22.7)	(1,119,886)	(32.7)	(579,719)	(30.7)	(264,922)	(18.3)
Selling and marketing expenses	(116,191)	(10.0)	(404,896)	(19.0)	(704,125)	(20.5)	(385,853)	(20.5)	(253,142)	(17.4)
Research and development expenses	(104,117)	(9.0)	(124,389)	(5.8)	(286,959)	(8.4)	(111,667)	(5.9)	(85,348)	(5.9)
Net impairment losses on financial assets and contract assets	(24)	(0.0)	(923)	(0.0)	(641)	(0.0)	(1,489)	(0.1)	(89)	(0.0)
Other income	7,823	0.7	9,776	0.4	25,005	0.7	9,900	0.5	12,160	0.8
Other gains/(losses), net	4,739	0.4	3,554	0.1	1,226	0.0	18,361	1.0	(67,118)	(4.6)
Operating profit/(loss)	186,048	16.0	(511,288)	(24.0)	(1,244,513)	(36.3)	(727,924)	(38.6)	30,852	2.1
Fair value losses of financial liabilities at fair value through profit or loss	—	—	—	—	(582,957)	(17.0)	(19,698)	(1.1)	(383,799)	(26.5)
Loss on settlement of financial liabilities at fair value through profit or loss	—	—	—	—	(212,760)	(6.2)	(212,760)	(11.3)	—	—
Finance income	1,153	0.1	1,357	0.1	2,304	0.1	1,317	0.1	2,508	0.2
Finance costs	(3,165)	(0.3)	(7,236)	(0.4)	(20,003)	(0.6)	(11,217)	(0.6)	(10,810)	(0.7)
Finance costs, net	(2,012)	(0.2)	(5,879)	(0.3)	(17,699)	(0.5)	(9,900)	(0.5)	(8,302)	(0.5)
Profit/(loss) before income tax	184,036	15.8	(517,167)	(24.3)	(2,057,929)	(60.0)	(970,282)	(51.5)	(361,249)	(24.9)
Income tax (expense)/credit	(29,966)	(2.5)	32,695	1.6	11,958	0.3	24,769	1.3	(30,521)	(2.1)
Profit/(loss) for the year/period	154,070	13.3	(484,472)	(22.7)	(2,045,971)	(59.7)	(945,513)	(50.2)	(391,770)	(27.0)

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we use adjusted net profit/loss (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that the non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. However, our presentation of the non-IFRS measure may not be comparable to similarly titled measures presented by other companies. The use of the non-IFRS measure has limitations as analytical tools, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS.

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We define adjusted net profit/loss (non-IFRS measure) as profit/loss for the year/period adjusted by share-based payments, fair value losses on financial liabilities at fair value through profit or loss, loss on settlement of financial liabilities at fair value through profit or loss, and listing expenses. Share-based payments arise from granting options to employees. We exclude share-based payments as such expenses are non-cash in nature and do not result in cash outflows. Fair value losses on financial liabilities at fair value through profit or loss represent fair value changes relating to convertible preferred shares issued in our equity financings. The convertible preferred shares will be automatically converted into ordinary shares upon completion of the Global Offering, and we do not expect to record further gains or losses in relation to valuation changes in such instruments after the Listing. Loss on settlement of financial liabilities at fair value through profit or loss is related to the redemption of certain number of preferred shares, which have been cancelled at the closing of the redemption in March 2021, and we do not expect to record any further gains or losses in relation to the settlement of such instruments thereafter. Listing expenses were incurred in connection with our preparation for the Global Offering.

The following table reconciles our adjusted net profit/loss (non-IFRS measure) presented to the most directly comparable financial measure calculated and presented under IFRS.

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)			(Unaudited)	
Profit/(loss) for the year/period . .	154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
<i>Add:</i>					
Share-based payments	21,171	121,637	415,379	172,303	83,188
Fair value losses of financial liabilities at fair value through profit or loss	—	—	582,957	19,698	383,799
Loss on settlement of financial liabilities at fair value through profit or loss	—	—	212,760	212,760	—
Listing expenses	—	—	12,518	—	20,415
Adjusted net profit/(loss) (non-IFRS measure)	175,241	(362,835)	(822,357)	(540,752)	95,632

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from the provision of tutoring services, and to a lesser extent, from the sales of in-house developed textbooks and learning materials. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our total revenue was RMB1,160.3 million, RMB2,132.1 million, RMB3,428.6 million, RMB1,885.4 million and RMB1,451.0 million, respectively.

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The following table sets forth a breakdown of our revenue by business line and course type for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for the percentages)									
	(Unaudited)									
TUTORING SERVICES										
Online tutoring										
Online learning products . . .	59,152	5.1	160,205	7.4	146,913	4.3	89,108	4.7	87,794	6.1
Membership package . . .	38,271	3.3	78,269	3.6	69,734	2.0	39,346	2.1	45,398	3.1
Challenge exercise . . .	20,881	1.8	81,936	3.8	77,179	2.3	49,762	2.6	42,396	3.0
Online tutoring courses . . .	598,280	51.6	826,027	38.8	1,249,212	36.4	589,701	31.3	629,037	43.3
Formal courses	574,758	49.6	801,512	37.7	1,193,269	34.8	556,501	29.5	618,852	42.6
Systematic courses . . .	433,600	37.4	534,715	25.1	655,361	19.1	338,113	17.9	307,378	21.2
Premium courses	—	—	50,235	2.4	332,433	9.7	124,996	6.6	210,640	14.5
Special courses	141,158	12.2	216,562	10.2	205,475	6.0	93,392	5.0	100,834	6.9
Promotional courses	23,522	2.0	24,515	1.1	55,943	1.6	33,200	1.8	10,185	0.7
Subtotal of online tutoring . .	657,432	56.7	986,232	46.2	1,396,125	40.7	678,809	36.0	716,831	49.4
Classroom-based tutoring										
Formal courses	354,141	30.5	881,335	41.4	1,596,180	46.6	993,704	52.7	519,017	35.8
Promotional courses	306	0.0	5,165	0.2	21,150	0.6	11,760	0.6	4,517	0.3
Subtotal of classroom-based tutoring	354,447	30.5	886,500	41.6	1,617,330	47.2	1,005,464	53.3	523,534	36.1
SUBTOTAL OF TUTORING SERVICES	1,011,879	87.2	1,872,732	87.8	3,013,455	87.9	1,684,273	89.3	1,240,365	85.5
SALES OF BOOKS	148,436	12.8	259,342	12.2	415,104	12.1	201,144	10.7	210,667	14.5
TOTAL	1,160,315	100.0	2,132,074	100.0	3,428,559	100.0	1,885,417	100.0	1,451,032	100.0

We generated revenue of RMB1,011.9 million, RMB1,872.7 million, RMB3,013.5 million, RMB1,684.3 million and RMB1,240.4 million from tutoring services in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 87.2%, 87.8%, 87.9%, 89.3% and 85.5% of our total revenue in the same periods, respectively. The increase in our revenue generated from tutoring services from 2019 to 2021 was primarily driven by (1) the increase in our paid enrollments, in particular our paid enrollments of formal courses, as a result of the launch of our classroom-based tutoring on a large-scale basis in May 2020 and the continued growth of our online tutoring services, and (2) the increase in the average gross billings per paid enrollment driven by a higher proportion in the offering of our classroom-based tutoring courses and online premium courses, the course fees of which are relatively higher than our online systematic tutoring courses. The total paid enrollments of our tutoring courses and online products increased from 6.0 million in 2019 to 9.6 million in 2020 and further to 9.8 million in 2021. In particular, the paid enrollments of our formal courses increased from 1.4 million in 2019 to 1.8 million in 2020 and further to 2.6 million in 2021. The decrease in our revenue generated from our tutoring services from the six months ended June 30, 2021 to the six months ended June 30, 2022 was primarily caused by the decrease in our paid enrollments, in particular our paid enrollments of classroom-based formal courses as a result of (1) the suspension of our classroom-based tutoring services in certain localities and the postponement of certain examinations amid the regional resurgence of the COVID-19 pandemic in the first half of 2022, and (2) the strategic adjustment of the scale of our offline coverage to effectively manage our growth and improve our profitability, which reduced the number of our operational hubs from 363 as of December 31, 2021 to 276 as of June 30, 2022. The total paid enrollments of our tutoring courses and online products decreased from 5.5 million in the six months ended June 30, 2021 to 4.1 million in the six months ended June 30, 2022, and the paid enrollments of our formal courses decreased from 1.4

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million to 1.2 million during the same period. In particular, the paid enrollments of our classroom-based formal courses decreased from 287,000 in the six months ended June 30, 2021 to 110,000 in the six months ended June 30, 2022.

Specifically, revenue generated from online tutoring services accounted for 56.7%, 46.2%, 40.7%, 36.0% and 49.4% of our total revenue in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, and revenue generated from classroom-based tutoring services accounted for 30.5%, 41.6%, 47.2%, 53.3% and 36.1% of our total revenue in the same periods, respectively. Revenue generated from classroom-based tutoring services as a percentage of our total revenue continuously increased from 2019 to 2021, primarily due to our offline expansion efforts since May 2020, with average gross billings per paid enrollment relatively higher than our online courses. Such percentage decreased from the six months ended June 30, 2021 to the six months ended June 30, 2022, primarily due to the decrease in the paid enrollments of our classroom-based formal courses for the reasons discussed above.

The following table sets forth a breakdown of our revenue generated from tutoring services by examination sector for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Civil servants examination tutoring	799,415	79.0	1,438,322	76.8	2,062,865	68.4	1,136,759	67.5	828,682	66.8
Public institution employees examination tutoring	114,121	11.3	279,009	14.9	586,796	19.5	356,665	21.2	244,249	19.7
Teacher qualification and recruitment tutoring	53,413	5.3	102,973	5.5	251,947	8.4	138,542	8.2	127,803	10.3
Other test preparation	44,930	4.4	52,428	2.8	111,847	3.7	52,307	3.1	39,631	3.2
Total revenue generated from tutoring services	1,011,879	100.0	1,872,732	100.0	3,013,455	100.0	1,684,273	100.0	1,240,365	100.0

The following table sets forth a breakdown of our revenue generated from classroom-based tutoring services by region for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Eastern China region	103,551	29.2	229,266	25.9	380,500	23.5	198,171	19.7	71,665	13.7
Northern China region	74,926	21.1	168,585	19.0	269,072	16.6	177,511	17.7	79,094	15.1
Southern China region	70,962	20.0	116,257	13.1	259,816	16.1	166,985	16.6	93,713	17.9
Northwestern China region	40,682	11.5	114,109	12.9	245,956	15.2	172,993	17.2	98,372	18.8
Northeastern China region	32,450	9.2	114,038	12.9	198,714	12.3	129,872	12.9	56,800	10.8
Southwestern China region	31,876	9.0	144,245	16.2	263,272	16.3	159,932	15.9	123,890	23.7
Total revenue generated from classroom-based tutoring services	354,447	100.0	886,500	100.0	1,617,330	100.0	1,005,464	100.0	523,534	100.0

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Revenue generated from sales of books was related to (1) standalone sales activities in relation to our textbooks and learning materials through e-commerce platforms or to third-party book sellers and (2) sales that accompany our tutoring services. We generated revenue of RMB148.4 million, RMB259.3 million, RMB415.1 million, RMB201.1 million and RMB210.7 million from sales of books in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively, representing 12.8%, 12.2%, 12.1%, 10.7% and 14.5% of our total revenue in the same periods, respectively. The increase in our revenue generated from sales of books during the Track Record Period was primarily due to the increased sales volume as a result of our business growth and enhanced brand recognition.

Cost of Sales

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our cost of sales was RMB624.1 million, RMB1,642.1 million, RMB2,587.7 million, RMB1,562.9 million and RMB761.7 million, respectively, representing 53.8%, 77.0%, 75.5%, 82.9% and 52.5%, respectively, of our total revenue for the same periods. The increase in our cost of sales during the Track Record Period was primarily driven by our business growth and offline expansion.

The following table sets forth a breakdown of our cost of sales by business line for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Tutoring services										
Online tutoring	261,139	41.8	494,250	30.1	680,476	26.3	394,872	25.3	284,840	37.4
Classroom-based tutoring	264,302	42.4	985,084	60.0	1,622,240	62.7	1,024,108	65.5	333,318	43.8
Subtotal	525,441	84.2	1,479,334	90.1	2,302,716	89.0	1,418,980	90.8	618,158	81.2
Sales of books	98,632	15.8	162,808	9.9	284,976	11.0	143,894	9.2	143,563	18.8
Total	624,073	100.0	1,642,142	100.0	2,587,692	100.0	1,562,874	100.0	761,721	100.0

Our cost of sales primarily consisted of employee benefit expenses, cost of course materials, lease expenses, human resource outsourcing and other labor costs and logistic expenses. The following table sets forth a breakdown of our cost of sales by nature for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Employee benefit expenses	123,798	19.8	670,139	40.8	1,439,906	55.7	792,146	50.7	382,168	50.2
Cost of course materials	205,214	32.9	330,501	20.1	377,663	14.6	256,431	16.4	131,234	17.2
Lease expenses	70,917	11.4	259,728	15.8	326,760	12.6	232,591	14.9	76,668	10.1
Human resource outsourcing and other labor costs	112,534	18.0	159,884	9.8	91,421	3.5	64,784	4.1	45,633	6.0
Logistic expenses	43,101	6.9	61,184	3.7	77,512	3.0	44,947	2.9	42,515	5.5
Others ⁽¹⁾	68,509	11.0	160,706	9.8	274,430	10.6	171,975	11.0	83,503	11.0
Total	624,073	100.0	1,642,142	100.0	2,587,692	100.0	1,562,874	100.0	761,721	100.0

(1) Include primarily operating consumables, meal expenses provided to students, office expenses, travel expenses, services fees for cloud storage directly relating to our provision of tutoring services, depreciation of property, plant and equipment, depreciation of right-of-use assets, and tax and surcharge.

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Employee benefit expenses primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfares paid to our teaching staff, and to a lesser extent, our employees involved in the production of our textbooks and learning materials. Cost of course materials primarily consisted of costs of paper and other materials, as well as typesetting, printing and publishing costs in connection with our sales of books, and for other materials used in our tutoring courses. Lease expenses primarily consisted of costs paid to hotels for classroom premises and for accommodation for certain courses with boarding services. Human resource outsourcing and other labor costs primarily consisted of commissions paid to contract workers involved in the course delivery process, who we engaged to accommodate more students during peak examination preparation seasons from the examination cycle. See “Business — Employees.” Logistic expenses primarily consisted of costs incurred for the delivery of our textbooks and learning materials to students purchasing our tutoring courses, individual consumers purchasing our textbooks and learning materials through e-commerce platforms, and third-party book sellers.

Gross Profit and Gross Margin

In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our gross profit was RMB536.2 million, RMB489.9 million, RMB840.9 million, RMB322.5 million and RMB689.3 million, respectively, representing a gross profit margin of 46.2%, 23.0%, 24.5%, 17.1% and 47.5% for the same periods, respectively.

The following table sets forth a breakdown of our gross profit and gross margin by business line for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	Gross Margin (%)	RMB	Gross Margin (%)	RMB	Gross Margin (%)	RMB	Gross Margin (%)	RMB	Gross Margin (%)
	(RMB in thousands except for percentages)									
	(Unaudited)									
Tutoring services										
Online tutoring	396,293	60.3	491,982	49.9	715,649	51.3	283,937	41.8	431,991	60.3
Classroom-based tutoring . . .	90,145	25.4	(98,584)	(11.1)	(4,910)	(0.3)	(18,644)	(1.9)	190,216	36.3
Subtotal	486,438	48.1	393,398	21.0	710,739	23.6	265,293	15.8	622,207	50.2
Sales of books	49,804	33.6	96,534	37.2	130,128	31.3	57,250	28.5	67,104	31.9
Total	536,242	46.2	489,932	23.0	840,867	24.5	322,543	17.1	689,311	47.5

Administrative Expenses

Our administrative expenses primarily consisted of employee benefit expenses, depreciation of right-of-use assets, human resource outsourcing and other labor costs, lease expenses, depreciation of property, plant and equipment, charges for licensed payment institutions, office expenses and listing expenses. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our administrative expenses were RMB142.4 million, RMB484.3 million, RMB1,119.9 million, RMB579.7 million and RMB264.9 million, respectively, representing 12.3%, 22.7%, 32.7%, 30.7% and 18.3% of our total revenue for the same periods, respectively.

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The following table sets forth a breakdown of our administrative expenses by nature for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Employee benefit expenses . . .	57,062	40.1	179,611	37.1	547,687	48.9	274,861	47.4	117,686	44.4
Depreciation of right-of-use assets	21,565	15.1	68,280	14.1	181,436	16.2	83,219	14.4	54,188	20.5
Human resource outsourcing and other labor costs	26,011	18.3	89,543	18.5	69,503	6.2	41,581	7.2	13,725	5.2
Lease expenses	9,752	6.8	12,886	2.6	45,936	4.1	23,976	4.1	5,808	2.2
Depreciation of property, plant and equipment	2,729	1.9	12,129	2.5	45,542	4.1	28,412	4.9	16,813	6.3
Charges for licensed payment institutions	8,068	5.7	22,129	4.6	26,996	2.4	18,508	3.2	9,090	3.4
Office expenses	5,601	3.9	42,113	8.7	62,599	5.6	48,913	8.4	2,997	1.1
Listing expenses	—	—	—	—	12,518	1.1	—	—	20,415	7.7
Others ⁽¹⁾	11,636	8.2	57,651	11.9	127,669	11.4	60,249	10.4	24,200	9.2
Total	142,424	100.0	484,342	100.0	1,119,886	100.0	579,719	100.0	264,922	100.0

(1) Include primarily property management costs, logistic expenses, travel expenses, and tax and surcharge.

Employee benefit expenses primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfares for our administrative and management personnel. Depreciation of right-of-use assets was related to office premises under long-term leases. Human resource outsourcing and other labor costs primarily consisted of commissions for contract workers for teaching support and other administrative purposes. Lease expenses were related to office premises under short-term leases for operational uses. Depreciation of property, plant and equipment was primarily related to our electronic equipment. Charges for licensed payment institutions primarily consisted of fees paid to third-party online payment platforms, such as Alipay and Weixin Pay, which generally represented a fixed percentage of the payments we received from our students using such channels. Office expenses were related to office furniture and supplies. Listing expenses were incurred in connection with our preparation for the Global Offering.

Selling and Marketing Expenses

Our selling and marketing expenses primarily consisted of employee benefit expenses, promotion expenses, and human resource outsourcing and other labor costs. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our selling and marketing expenses were RMB116.2 million, RMB404.9 million, RMB704.1 million, RMB385.9 million and RMB253.1 million, respectively, representing 10.0%, 19.0%, 20.5%, 20.5% and 17.4% of our total revenue for the same periods, respectively. Our selling and marketing expenses as a percentage of our total revenue decreased from the six months ended June 30, 2021 to the six months ended June 30, 2022, primarily due to decreases in (1) promotion expenses as we have substantially established our nationwide network of local operational hubs and limited our promotional activities amid the regional resurgence of the COVID-19 in the first half of 2022, and (2) employee benefit expenses as a result of our employee structure optimization efforts. We expect that our selling and marketing expenses as a percentage of revenue will continue to remain at a relatively low level in the near term as we continue to grow our business and improve our operational efficiency.

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The following table sets forth a breakdown of our selling and marketing expenses by nature for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Employee benefit expenses . . .	59,721	51.4	208,378	51.5	460,022	65.3	238,588	61.8	197,706	78.1
Promotion expenses	41,853	36.0	103,882	25.6	142,813	20.3	87,479	22.7	31,928	12.6
Human resource outsourcing and other labor costs	13,273	11.4	76,407	18.9	64,651	9.2	40,380	10.5	17,257	6.8
Others ⁽¹⁾	1,344	1.2	16,229	4.0	36,639	5.2	19,406	5.0	6,251	2.5
Total	116,191	100.0	404,896	100.0	704,125	100.0	385,853	100.0	253,142	100.0

(1) Include primarily travel expenses, office expenses, depreciation of property, plant and equipment, logistics expenses, and lease expenses.

Employee benefit expenses primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfares for our sales and marketing personnel. Promotion expenses primarily consisted of advertising and other expenses incurred for branding and marketing purposes. Human resource outsourcing and other labor costs primarily consisted of commissions for contract workers involved in sales and marketing activities.

Research and Development Expenses

Our research and development expenses primarily consisted of employee benefit expenses and services fee for cloud storage. In 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, our research and development expenses were RMB104.1 million, RMB124.4 million, RMB287.0 million, RMB111.7 million and RMB85.3 million, respectively, representing 9.0%, 5.8%, 8.4%, 5.9% and 5.9% of our total revenue for the same periods, respectively.

The following table sets forth a breakdown of our research and development expenses by nature for the periods indicated.

	Year ended December 31,						Six months ended June 30,			
	2019		2020		2021		2021		2022	
	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total	RMB	% of Total
	(RMB in thousands except for percentages)									
	(Unaudited)									
Employee benefit expenses . . .	97,795	93.9	115,220	92.6	271,608	94.7	106,067	95.0	73,753	86.4
Services fee for cloud storage . .	4,525	4.4	7,619	6.1	10,905	3.8	4,324	3.9	7,076	8.3
Others ⁽¹⁾	1,797	1.7	1,550	1.3	4,446	1.5	1,276	1.1	4,519	5.3
Total	104,117	100.0	124,389	100.0	286,959	100.0	111,667	100.0	85,348	100.0

(1) Include primarily depreciation of property, plant and equipment and office expenses.

Employee benefit expenses primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfares for our content and technological development personnel. Services fee for cloud storage primarily consisted of fees paid to third-party cloud service providers in connection with our technological development activities.

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Net Impairment Losses on Financial Assets and Contract Assets

Net impairment losses on financial assets and contract assets primarily consisted of loss allowance provision for trade receivables, contract assets and other receivables. We had net impairment losses on financial assets and contract assets of RMB24,000, RMB0.9 million, RMB0.6 million, RMB1.5 million and RMB89,000 in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

Other Income

Other income primarily consisted of rental and sublease income, VAT refund and VAT reduction we are entitled to as an education service provider, and government grants. We had other income of RMB7.8 million, RMB9.8 million, RMB25.0 million, RMB9.9 million and RMB12.2 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

Other Gains/Losses, Net

Other gains/losses, net primarily consisted of fair value gains on financial assets at fair value through profit or loss relating to our wealth management products, early termination charges for lease agreements, donation, and net foreign exchange gains/losses. We had other gains, net of RMB4.7 million, RMB3.6 million, RMB1.2 million and RMB18.4 million in 2019, 2020, 2021 and the six months ended June 30, 2021, respectively, and other losses, net of RMB67.1 million in the six months ended June 30, 2022.

Finance Costs, Net

During the Track Record Period, finance income consisted of interests received, and finance costs consisted of finance costs on lease liabilities and net foreign exchange losses. We had finance costs, net of RMB2.0 million, RMB5.9 million, RMB17.7 million, RMB9.9 million and RMB8.3 million in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

Income Tax Expense/Credit

Our income tax expense/credit consisted of current income tax and deferred income tax. We incurred income tax expense of RMB30.0 million in 2019, and income tax credit of RMB32.7 million, RMB12.0 million and RMB24.8 million in 2020, 2021 and the six months ended June 30, 2021, respectively, and income tax expense of RMB30.5 million in the six months ended June 30, 2022.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and, accordingly, is not subject to income tax. We were not subject to Hong Kong profit tax during the Track Record Period as we did not have assessable profit in Hong Kong during such period.

Pursuant to the PRC Enterprise Income Tax Law and related regulations, enterprises which operate in China are generally subject to enterprise income tax at a statutory rate of 25% on the taxable profit. Enterprises recognized as a HNTE are entitled to a preferential tax rate of 15% for three years as long as the HNTE status is valid, and qualified entities may re-apply for an additional three years if their business operations continue to qualify for the HNTE status. Fenbi Bluesky was recognized as an HNTE in December 2016 and renewed the HNTE status in December 2019. As a result, Fenbi Bluesky was subject to a preferential tax rate of 15% during the Track Record Period. In addition, Nanjing Youxue Culture Media Co., Ltd. and Beijing Shengshi Jintu Culture Communication Co., Ltd. were qualified as small-and-micro enterprises and were subject to a preferential tax rate of 5% during the Track Record Period. Pursuant to the preferential tax treatment available to small-and-micro enterprises, the first RMB1 million of their annual assessable profits is eligible for a 75% deduction and is entitled to a reduced enterprise income tax rate of 20%, and the portion of the annual assessable profits between RMB1 million and RMB3 million is eligible for a 50% deduction and is entitled to a reduced enterprise

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income tax rate of 20%. According to relevant laws and regulations promulgated by the State Council that was effective from 2008 onwards, enterprises engaging in R&D activities were entitled to claim Super Deduction. SAT announced in September 2018 that enterprises engaging in R&D activities would be entitled to claim 175% of their research and development expenses as Super Deduction from January 1, 2018 to December 31, 2020. From 2021 onwards, the Super Deduction ratio has increased to 200%. We have made our best estimate for the Super Deduction to be claimed in ascertaining assessable profits. See “Risk Factors — Risks Relating to Our Business and Industry — The discontinuation of any preferential tax treatments available to us in China could adversely affect our results of operations and financial condition.”

During the Track Record Period and up to the Latest Practicable Date, we had paid all relevant taxes when due and there were no matters in dispute or unresolved with the relevant tax authorities.

Profit/Loss for the Year/Period

As a result of the foregoing, we recorded net profit of RMB154.1 million in 2019 and net loss of RMB484.5 million, RMB2,046.0 million, RMB945.5 million and RMB391.8 million in 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

BUSINESS SUSTAINABILITY

As a market leader in China’s career test preparation industry, we are committed to refining and transforming the traditional industry landscape, making quality tutoring services more accessible and efficient. Our strategy has been driving long-term and sustainable growth of our business and creating more value in the industry through continuous innovation initiatives, rather than focusing on short-term profitability. As such, we have been investing significantly into our OMO model, forming a nationwide offline network of local operational hubs, leveraging our solid online presence, and assembling a deep bench of qualified teaching staff. We have also prioritized in-house R&D initiatives since the early stage of our business to build sophisticated technology infrastructure and drive industry-leading technological innovations. We believe some of these investments have yielded immediate results, while others will bring long-term benefits to our sustainable business development and strengthen our competitive advantages. Going forward, we expect to achieve and maintain profitability and generate net operating cash inflow primarily through continuous revenue growth and improved cost efficiency.

Driving Continuous Revenue Growth

As we generate revenue primarily from the provision of tutoring services, the sustainable growth of our revenues primarily depends upon (1) the increase of our paid enrollments, in particular the paid enrollments of our formal courses, and (2) the value per paid enrollment.

Paid enrollments

As competition in the job market has continued to intensify, an increasing number of job-seekers purchased and may continue to purchase career test preparation services, and as a result, the penetration rate of career test preparation services in China is expected to increase from 25.6% in 2021 to 28.9% in 2026, according to the F&S Report. We believe that, leveraging our accessible and effective online platform, backed by industry-leading technology, we are well-positioned to continue to capitalize on the favorable industry trends and reinforce our market leadership. We intend to expand our online course offerings, refine our online products and toolkits, and strengthen our technological capability to continuously grow our paid enrollments. For example, we plan to launch new interview test courses for Civil Servants Examinations, which, unlike our traditional ones, will start prior to the release of the written test results and primarily target students who believe that they could pass the written tests, allowing them to have more preparation time to improve their passage rates. We plan to offer this series through both online and offline channels with a course fee ranges from approximately RMB1,500 to RMB9,000. In addition, we plan to continuously expand the coverage of examination subjects of our

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course offerings with a focus on launching additional public institution employees examination tutoring courses for various institutions and positions, as well as teacher qualification and recruitment examination tutoring courses for more disciplines. We believe that, with our comprehensive course offerings, we will continue to improve and advance our business and financial performance.

To drive our overall revenue growth and achieve long-term profitability at scale, we expect to continue to leverage our OMO model and data-driven insights into market trends and student preferences to facilitate customer acquisition. Leveraging our large user base and strong reputation accumulated from our online business, we are able to identify and convert prospective students with offline education needs to our offline course offerings with premium pricing, which allows us to scale our offline operations and grow our overall business rapidly. In 2021, approximately 67.5% of all students who paid for our offline courses were converted from students who had previously paid for our online offerings. Since the launch of our offline course offerings on a large-scale basis in May 2020 and up to June 30, 2022, our offline sector had contributed approximately 1.7 million paid enrollments. We believe we have substantial advantages over our competitors in terms of customer acquisition costs by virtue of our OMO model and strong brand awareness. In 2021, we recorded selling and marketing expenses per paid enrollment of approximately RMB72.0, as compared to that of over hundreds of Renminbi of our major competitors. Going forward, we will continue to capitalize on such synergy to enhance our customer acquisition and revenue-generating capability. In addition, as we are not required to make heavy selling and marketing investments, we have been focused on, and can devote greater resources to, our content development and teaching staff training to improve teaching quality, as well as our technology infrastructure to improve user experience, so as to strengthen our brand and reputation to further lower customer acquisition costs, forming a virtuous cycle. Furthermore, as we have successfully built our nationwide coverage and established our offline operations team, we intend to increase paid enrollments of our classroom-based courses in a cost-effective and asset-light manner. Since the launch of our classroom-based tutoring on a large-scale basis in May 2020, we have established an extensive offline network of local operational hubs in select cities of various provinces. Our operational hub coverage increased from over 20 cities as of December 31, 2019 to over 220 cities as of June 30, 2022. We have also assembled a high-caliber teaching team to support our offline course offerings. Going forward, we will leverage our existing operational hubs to direct prospective students to attend offline courses in cities where our operational hubs are located and increase the utilization rate of our existing teaching staff, thereby increasing our paid enrollments and revenue at marginal cost.

Value per paid enrollment

We will strive to stimulate student spending on our platform through innovations in course setting and course delivery. For example, we successfully launched our classroom-based tutoring courses on a large-scale basis and our online premium courses during the Track Record Period, which contributed to raising the upper range of our course fees. In addition, we have been strategically focus on converting prospective students to paid enrollments for our online and classroom-based formal courses to realize upselling opportunities in our established student base. For example, the paid enrollments of our formal courses as a percentage of total tutoring courses increased from 23.4% in 2020 to 33.5% in 2021 and further to 46.2% in the six months ended June 30, 2022. Moreover, the paid enrollments of our online premium courses as a percentage of total online formal courses steadily increased from 1.4% in 2020 to 5.0% in 2021 and further to 9.2% in the six months ended June 30, 2022. Going forward, we plan to continuously develop an increasing number of diversified online premium courses with relatively high prices and offer flexible course packages to serve multifaceted needs of our students. See “Business — Growth Strategies” for details.

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Reducing Costs and Expenses as Percentage of Revenue

Cost of sales

Our employee benefit expenses recorded as cost of sales, which primarily consisted of wages, salaries, bonuses, pension and other social security costs, and other employee welfares paid to members of our teaching team, were RMB123.8 million, RMB670.1 million, RMB1,439.9 million, RMB792.1 million and RMB382.2 million, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, representing 19.8%, 40.8%, 55.6%, 50.7% and 50.2% of our cost of sales of the same periods, respectively. We believe that we can effectively control our cost of sales by maintaining our related employee benefit expenses at a moderate level. The significant increase during the Track Record Period was primarily due to an increase in the headcount of our teaching team to accommodate our business growth and support our offline expansion. The number of our instructors and other teaching staff increased significantly from approximately 800 as of December 31, 2019 to approximately 7,700 as of December 31, 2020 and further to approximately 10,000 as of March 31, 2021, which was a relative peak number of our teaching team. Specifically, we incurred substantial costs to recruit a high-caliber teaching team in preparation for our new course offerings, such as our classroom-based tutoring courses and online premium courses, which affected our results of operations in the short term. To further improve our operational efficiency and profitability, and taking into account the short-term impact of the COVID-19 pandemic on our classroom-based tutoring services, we optimized the structure of our teaching team to comprise approximately 5,300 members as of December 31, 2021 and further to approximately 4,100 members as of June 30, 2022, as compared to approximately 10,000 as of March 31, 2021. We carried out inter-disciplinary training for our full-time instructors since early 2021 so as to enable them to deliver both written test and interview test courses, thereby increasing instructors' teaching hours and the number of students each instructor could serve. In addition, we frequently review the performance of our full-time instructors after each examination cycle based on comprehensive criteria and selectively retained instructors who are capable of hosting high-quality large classes and/or delivering targeted tutoring under the premium course setting to maintain the quality of our courses while improving our teacher utilization. As a result, as evidenced by the comparison of our financials for the nine months ended September 30, 2021 and the full year ended December 31, 2021, we maintained healthy revenue scale and level of paid enrollments in the fourth quarter of 2021 while the number of our instructors and other teaching staff decreased from approximately 6,300 members as of September 30, 2021 to approximately 5,300 members as of December 31, 2021. Moreover, the gross margin for our classroom-based tutoring services narrowed from (11.1)% in 2020 to (0.3)% in 2021, and the overall gross profit margin increased from 23.0% in 2020 to 24.5% in 2021. In particular, the gross margin of our classroom-based tutoring services improved from (3.6)% for the nine months ended September 30, 2021 to (0.3)% for the full year ended December 31, 2021, indicating a positive gross margin in the fourth quarter of 2021. In the six months ended June 30, 2022, we recorded a gross profit margin for our classroom-based tutoring services of 36.3%, and the overall gross profit margin increased to 47.5%. As such, we believe that we will be able to increase our operational efficiency and continue to grow our business.

As employee benefit expenses for our teaching staff is the major component of our cost of sales, we will closely monitor class size and the utilization level of our teaching staff to ensure a healthy profit margin. Going forward, we will focus on increasing the utilization level of our teaching staff, such as increasing the number of students each teaching staff serves and the number of their teaching hours without compromising the teaching quality and the learning experience for our students. We will also continue to improve the teaching efficacy and efficiency of our instructors with advanced technology. For example, we intend to develop voice recognition technology to automate the interview test grading process with emotional intelligence, which could discharge our instructors from monotonous tasks and redirect their attention to substantive tutoring service. See "Business — Growth Strategies." In addition, we will reinforce our efforts in inter-disciplinary training to strategically cultivate instructors capable of teaching multiple course subjects to further improve the capacity and

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productivity of our teaching staff. As such, we expect that our investment in teaching related employee benefit expenses as a percentage of revenue will decrease as we continue to improve the utilization rate of our existing teaching staff.

Operating expenses

During the Track Record Period, we rapidly established an extensive network of offline operations. Expanding into new geographical markets poses challenges and uncertainties, and requires us to make investments in management, financial, marketing and other resources. We typically establish subsidiaries and branch offices in select cities of a region, which operate as local operational hubs for such region. Leveraging on such operational hubs, we gradually attract students from adjacent cities of the same region and provide them with classroom-based courses in classrooms set up by our local operational hubs. In addition to the employee benefits expenses incurred under cost of sales for local teaching staff, we generally incur substantial operating expenses in connection with our newly established offline subsidiaries and branch offices, such as rental, renovation expenses, property management fees, depreciation and amortization, promotion expenses and other miscellaneous fees, as well as employee benefits expenses for our local supportive staff, such as administrative and sales and marketing staff. We believe such initial investments were indispensable to the expansion of our geographical coverage in order to capture the significant offline monetization opportunities and achieve our long-term profitable growth. However, it takes time for a newly established local operational hub to attract students from the target area and generate revenue.

We believe we have substantially established our nationwide network of local operational hubs. To effectively manage our growth and improve our profitability and taking into account the impact of the COVID-19 pandemic on our classroom-based tutoring in the near term, we strategically adjusted the scale of our operational hub coverage from over 300 cities as of September 30, 2021 to over 260 cities as of December 31, 2021, and further to over 220 cities as of June 30, 2022. Going forward, we plan to mainly leverage the existing local operational hubs to promote our classroom-based courses and direct more prospective students from the surrounding areas to attend our courses. As such, we expect to increase our paid enrollments in a cost-effective and asset-light manner. In addition, in order to improve our operational efficiency, especially considering the impact of the COVID-19 pandemic on our classroom-based tutoring in the near term, we have optimized our offline employee structure. The number of our full-time employees, excluding teaching staff, was over 4,000 as of September 30, 2021 and over 3,600 as of December 31, 2021 and further to over 3,300 members as of June 30, 2022, as compared to a relatively peak number of over 6,700 as of March 31, 2021. We also plan to further optimize our operating efficiency through technological innovation. For example, we will develop technology-enhanced smart classrooms to streamline our offline operations, such as student administration, profile management and after-class supervision. Going forward, as we have substantially established our offline operations, we do not expect to make significant investment in establishing additional operational hubs, which was one of the major factors leading to our losses during the Track Record Period. As such, we expect that our operating expenses as a percentage of revenue will decrease as we continue to improve the operating efficiency and economies of scale of our offline operations.

Our Directors consider that our business model is sustainable despite short-term loss-making, for the following reasons.

- Following the optimization of our employee structure, we have significantly improved our results of operations and financial condition. In particular, we have begun to generate gross profit from our classroom-based tutoring services since the fourth quarter of 2021. As a result, the gross margin for our classroom-based tutoring services narrowed significantly from (11.1)% in 2020 to (0.3)% in 2021. In the six months ended June 30, 2022, we recorded a gross profit margin for our classroom-based tutoring services of 36.3%, and the overall gross profit margin increased to 47.5%, as compared to 17.1% in the six months

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ended June 30, 2021. In addition, we recorded adjusted net profit (non-IFRS measure) of RMB95.6 million in the six months ended June 30, 2022, as compared to adjusted net loss (non-IFRS measure) of RMB540.8 million in the six months ended June 30, 2021.

- As discussed above, we have formulated and begun to implement specific strategies and concrete plan to drive continuous revenue growth and enhance our operating efficiency, thereby improving our profitability and operating cash flows, such as increasing the utilization level of our teaching staff, developing new course offerings for diversified customer needs, and continuing to invest in content development and technological innovation. Specifically, we selectively retained high-caliber instructors during the employee structure optimization process to improve our teacher utilization and maintain the quality of our courses. In April 2022, we consolidated certain supportive positions for our classroom-based tutoring services that had overlapping responsibilities and strategically reallocated various workstreams among remaining employees, which we believe will further increase our operational efficiency and improve our cost structure. In addition, we will remain prudent with respect to geographical expansion, which will be launched only when there is underserved demand. We will also closely monitor the development of the COVID-19 pandemic and related government measures in China to assess the impact on our business and adjust our strategies accordingly.
- We believe that our established OMO model, robust Fenbi online platform, nationwide offline network of local operational hubs, qualified teaching staff, sophisticated technology infrastructure and industry-leading technological innovations will collectively allow us to continue to capture the growing demand in the non-formal VET industry, bring long-term benefits to our sustainable business development, and strengthen our competitive advantages.

Having taken into account the factors above, the independent due diligence work conducted by the Joint Sponsors and the view of the Directors, the Joint Sponsors concur with the above-mentioned Directors' view.

The foregoing forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause the actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. For related risks, see "Risk Factors — Risks Relating to Our Business and Industry — If we fail to manage our growth effectively, our business, results of operations and financial condition could be materially and adversely affected."

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2022 Compared to Six Months Ended June 30, 2021

Revenue

Our revenue decreased by 23.0% from RMB1,885.4 million in the six months ended June 30, 2021 to RMB1,451.0 million in the six months ended June 30, 2022, for the following reasons.

- *Online tutoring services.* Our revenue generated from online tutoring services increased by 5.6% from RMB678.8 million in the six months ended June 30, 2021 to RMB716.8 million in the six months ended June 30, 2022, primarily due to an increase in revenue generated from online premium courses from RMB125.0 million in the six months ended June 30, 2021 to RMB210.6 million in the six months ended June 30, 2022, which was in turn attributable to an increase in the related paid enrollments from 53,000 to 104,000 during the same period.

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- *Classroom-based tutoring services.* Our revenue generated from classroom-based tutoring services decreased by 47.9% from RMB1,005.5 million in the six months ended June 30, 2021 to RMB523.5 million in the six months ended June 30, 2022, primarily due to a decrease in the paid enrollments of our classroom-based formal courses from 287,000 in the six months ended June 30, 2021 to 110,000 in the six months ended June 30, 2022 as a result of (1) the suspension of our classroom-based tutoring services in certain localities and the postponement of certain examinations amid the regional resurgence of the COVID-19 pandemic in the first half of 2022, and (2) the strategic adjustment of the scale of our offline coverage to effectively manage our growth and improve our profitability, which reduced the number of our operational hubs from 363 as of December 31, 2021 to 276 as of June 30, 2022.
- *Sales of books.* Our revenue generated from sales of books increased by 4.7% from RMB201.1 million in the six months ended June 30, 2021 to RMB210.7 million in the six months ended June 30, 2022, primarily due to the increased sales volume of our textbooks and learning materials.

Cost of sales

Our cost of sales decreased by 51.3% from RMB1,562.9 million in the six months ended June 30, 2021 to RMB761.7 million in the six months ended June 30, 2022 for the following reasons.

- *Online tutoring services.* Our cost of sales incurred for online tutoring services decreased by 27.9% from RMB394.9 million in the six months ended June 30, 2021 to RMB284.8 million in the six months ended June 30, 2022, primarily due to decreases in (1) cost of course materials as a result of the combined effect of the decreased procurement price of paper and the launch and scale-up of our in-house printing facilities since March 2021, and (2) employee benefit expenses as a result of our optimization of employee structure and decreased share-based payments as compared to the six months ended June 30, 2021. Specifically, the number of our instructors and other teaching staff for online tutoring services decreased from 3,360 as of June 30, 2021 to 2,703 as of June 30, 2022.
- *Classroom-based tutoring services.* Our cost of sales incurred for classroom-based tutoring services decreased by 67.5% from RMB1,024.1 million in the six months ended June 30, 2021 to RMB333.3 million in the six months ended June 30, 2022, primarily due to the decreases in (1) employee benefit expenses as a result of our optimization of employee structure, and (2) lease expenses as a result of the strategic adjustment of the scale of our offline coverage. Specifically, the number of our instructors and other teaching staff for classroom-based tutoring services decreased from 5,377 as of June 30, 2021 to 1,372 as of June 30, 2022.
- *Sales of books.* Our cost of sales incurred for sales of books remained relatively stable at RMB143.9 million and RMB143.6 million in the six months ended June 30, 2021 and 2022, respectively, primarily due to a decrease in the cost of course materials as a result of the combined effect of the decreased procurement price of paper and the launch and scale-up of our in-house printing facilities since March 2021, partially offset by the increases in (1) human resource outsourcing and other labor costs to support our in-house printing facilities, and (2) logistic expenses caused by the regional resurgence of the COVID-19 pandemic in the first half of 2022.

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Gross profit and gross margin

Our gross profit increased significantly from RMB322.5 million in the six months ended June 30, 2021 to RMB689.3 million in the six months ended June 30, 2022, and the corresponding gross profit margin increased from 17.1% to 47.5%.

- *Online tutoring services.* Our gross profit margin for online tutoring services increased from 41.8% in the six months ended June 30, 2021 to 60.3% in the six months ended June 30, 2022, primarily because we optimized our employee structure for online tutoring and enhanced our cost control measures in an effort to improve our operational efficiency and profitability.
- *Classroom-based tutoring services.* We recorded a gross profit margin of 36.3% for classroom-based tutoring services in the six months ended June 30, 2022, as compared to a gross margin of (1.9)% in the six months ended June 30, 2021, primarily because (1) we optimized our employee structure for classroom-based tutoring and adjusted the scale of our offline coverage in an effort to improve our operational efficiency and profitability, and (2) we adjusted our business development strategies and, as a result, reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass and the offering of written test contractual classes that are subject to full refund for no-pass in the second half of 2021.
- *Sales of books.* Our gross profit margin for sales of books increased from 28.5% in the six months ended June 30, 2021 to 31.9% in the six months ended June 30, 2022, primarily because the cost of course materials decreased as a result of the combined effect of the decreased procurement price of paper and the launch and scale-up of our in-house printing facilities since March 2021, despite our revenue growth.

Administrative expenses

Our administrative expenses decreased by 54.3% from RMB579.7 million in the six months ended June 30, 2021 to RMB264.9 million in the six months ended June 30, 2022, primarily due to decreases in (1) employee benefit expenses as a result of our employee structure optimization efforts, (2) office expenses, depreciation of right-of-use assets and lease expenses as a result of our strategic adjustment of the scale of our offline coverage, and (3) human resource outsourcing and other labor costs. Our administrative expenses as a percentage of our total revenue decreased from 30.7% in the six months ended June 30, 2021 to 18.3% in the six months ended June 30, 2022 as a result of our efforts to effectively manage our growth and improve our profitability.

Selling and marketing expenses

Our selling and marketing expenses decreased by 34.4% from RMB385.9 million in the six months ended June 30, 2021 to RMB253.1 million in the six months ended June 30, 2022, primarily due to decreases in (1) promotion expenses as we have substantially established our nationwide network of local operational hubs and limited our promotional activities amid the regional resurgence of the COVID-19 in the first half of 2022, and (2) employee benefit expenses as a result of our employee structure optimization efforts. Our selling and marketing expenses as a percentage of our total revenue decreased from 20.5% in the six months ended June 30, 2021 to 17.4% in the six months ended June 30, 2022 as a result of our efforts to effectively manage our growth and improve our profitability.

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Research and development expenses

Our research and development expenses decreased by 23.6% from RMB111.7 million in the six months ended June 30, 2021 to RMB85.3 million in the six months ended June 30, 2022, primarily due to a decrease in employee benefit expenses as a result of our employee structure optimization efforts and decreased share-based payments as compared to the six months ended June 30, 2021. Our research and development expenses as a percentage of our total revenue remained relatively stable at 5.9% in the six months ended June 30, 2021 and 2022.

Net impairment losses on financial assets and contract assets

Our net impairment losses on financial assets and contract assets decreased by 94.0% from RMB1.5 million in the six months ended June 30, 2021 to RMB89,000 in the six months ended June 30, 2022, primarily due to a decrease in other receivables, which resulted from the decreased deposits receivable relating to leased properties in connection with the adjustment of our offline coverage.

Other income

Our other income increased by 22.8% from RMB9.9 million in the six months ended June 30, 2021 to RMB12.2 million in the six months ended June 30, 2022, primarily due to an increase in rental and sublease income as a result of our sublease of vacant leased properties in connection with our adjustment of offline coverage.

Other gains/losses, net

We recorded other losses, net of RMB67.1 million in the six months ended June 30, 2022, as compared to other gains, net of RMB18.4 million in the six months ended June 30, 2021, primarily due to (1) net foreign exchange losses of RMB43.9 million resulting from depreciation in the value of Renminbi relative to U.S. dollar, as financing proceeds denominated in U.S. dollars and received through our Hong Kong subsidiary were converted into Renminbi from time to time at the then prevailing exchange rates in order to be distributed to our PRC subsidiaries, which were translated into U.S. dollars at the exchange rate prevailing at the balance sheet date when preparing the financial statement of our Hong Kong subsidiary, (2) net losses related to early termination of lease agreements and disposal of related leasehold improvements and net losses on disposal of property, plant and equipment in connection with our adjustment of offline coverage, and (3) net fair value losses on derivatives of RMB13.4 million as a result of the differences between the predetermined exchange rates and the actual exchange rates at the maturity dates of our derivatives.

Finance costs, net

Our finance cost, net decreased by 16.1% from RMB9.9 million in the six months ended June 30, 2021 to RMB8.3 million in the six months ended June 30, 2022, primarily due to a decrease in finance cost on lease liabilities in connection with our adjustment of offline coverage, partially offset by related net foreign exchange losses.

Income tax expense/credit

We recorded income tax expense of RMB30.5 million in the six months ended June 30, 2022, as compared to income tax credit of RMB24.8 million in the six months ended June 30, 2021, primarily because we recognized deferred tax assets for eligible losses we carried forward from previous years in the six months ended June 30, 2021, and recorded taxable profits in the six months ended June 30, 2022, which led to reversal of deferred tax assets previously recognized.

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Loss for the period

As a result of the foregoing, we recorded net loss of RMB945.5 million and RMB391.8 million in the six months ended June 30, 2021 and 2022, respectively, representing net loss margin of 50.1% and 27.0%, respectively.

Adjusted net profit/loss (non-IFRS measure)

We used adjusted net profit/loss (non-IFRS measure) to supplement our consolidated financial statements. We recognized adjusted net loss (non-IFRS measure) of RMB540.8 million and adjusted net profit (non-IFRS measure) of RMB95.6 million in the six months ended June 30, 2021 and 2022, respectively. See “— Non-IFRS Measure” for a reconciliation of our profit/loss for the period to our adjusted net profit/loss (non-IFRS measure).

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our revenue increased by 60.8% from RMB2,132.1 million in 2020 to RMB3,428.6 million in 2021 for the following reasons.

- *Online tutoring services.* Our revenue generated from online tutoring services increased by 41.6% from RMB986.2 million in 2020 to RMB1,396.1 million in 2021, primarily due to (1) an increase in paid enrollments of online formal courses from 1.5 million in 2020 to 2.2 million in 2021, and (2) the changes in our offering mix as we launched premium courses, which were priced higher than other courses, in June 2020, both of which led to an increase in the gross billings from our online tutoring services from RMB1,358.3 million in 2020 to RMB2,140.4 million in 2021.
- *Classroom-based tutoring services.* Our revenue generated from classroom-based tutoring services increased by 82.4% from RMB886.5 million in 2020 to RMB1,617.3 million in 2021, primarily because we launched our classroom-based tutoring on a large-scale basis in May 2020, as a result of which the paid enrollments of our classroom-based courses increased from 710,000 in 2020 to 836,000 in 2021, and the total gross billings from classroom-based tutoring services increased from RMB2,790.0 million in 2020 to RMB4,404.0 million in 2021.
- *Sales of books.* Our revenue generated from sales of books increased by 60.1% from RMB259.3 million in 2020 to RMB415.1 million in 2021, primarily due to (1) the increased sales volume of our standalone sales activities driven by the accumulated brand recognition and teaching quality, and to a lesser extent, (2) the increased sales that accompany our course delivery, which was generally in line with the increase in our paid enrollments.

Cost of sales

Our cost of sales increased by 57.6% from RMB1,642.1 million in 2020 to RMB2,587.7 million in 2021 for the following reasons.

- *Online tutoring services.* Our cost of sales in relation to online tutoring services increased by 37.7% from RMB494.3 million in 2020 to RMB680.5 million in 2021, primarily due to an increase in employee benefit expenses as we initially recruited more teaching staff in connection with the launch of our premium courses in June 2020, partially offset by a decrease in human resource outsourcing and other labor costs. Specifically, the number of

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our instructors and other teaching staff for online tutoring services increased from 115 at the beginning of 2020 to 2,732 at the beginning of 2021. The number of our instructors and other teaching staff for online tutoring services was 2,946 as of December 31, 2021.

- *Classroom-based tutoring services.* Our cost of sales in relation to classroom-based tutoring services increased by 64.7% from RMB985.1 million in 2020 to RMB1,622.2 million in 2021 as a result of our continued offline expansion efforts, primarily including the increases in (1) employee benefit expenses as we initially recruited more teaching staff to support our offline expansion, and (2) lease expenses to accommodate increased classroom-based courses. Specifically, the number of our instructors and other teaching staff for classroom-based tutoring services increased from 640 at the beginning of 2020 to 4,939 at the beginning of 2021. Following our employee structure optimization, the number of our instructors and other teaching staff for classroom-based tutoring services was 2,356 as of December 31, 2021.
- *Sales of books.* Our cost of sales in relation to sales of books increased by 75.1% from RMB162.8 million in 2020 to RMB285.0 million in 2021, primarily due to the increases in (1) cost of course materials as a result of our increased sales volume and the increased market price of paper driven by market demand, (2) employee benefit expenses to accommodate our business growth, and (3) logistic expenses in line with our increased sales.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 71.6% from RMB489.9 million in 2020 to RMB840.9 million in 2021, and the corresponding gross profit margin increased from 23.0% to 24.5%.

- *Online tutoring services.* The gross profit margin of our online tutoring services remained relatively stable at 49.9% and 51.3% in 2020 and 2021, respectively.
- *Classroom-based tutoring services.* We recorded a gross margin of (0.3)% for our classroom-based tutoring services in 2021, as compared to a gross margin of (11.1)% in 2020, primarily because we optimized our employee structure for classroom-based tutoring in an effort to improve our operational efficiency and profitability.
- *Sales of books.* The gross profit margin of our sales of books decreased from 37.2% in 2020 to 31.3% in 2021, primarily because the market price of paper increased due to market demands while the standalone retail prices of our books and learning materials remained relatively stable.

Administrative expenses

Our administrative expenses increased significantly from RMB484.3 million in 2020 to RMB1,119.9 million in 2021, primarily due to the increases in (1) employee benefit expenses as a result of (i) the increase in share-based payments, (ii) the temporary increase in the headcount of administrative and management personnel we admitted to support our continued business growth, and (iii) the discontinuation of government relief policies in 2021, which exempted or reduced our social insurance contribution during the COVID-19 outbreak in 2020, and (2) depreciation of right-of-use assets, depreciation of property, plant and equipment and expense relating to short-term leases as a result of the increases in our office premises, equipment and facilities to support our offline expansion. Our administrative expenses as a percentage of our total revenue increased from 22.7% in 2020 to 32.7% in 2021 as we incurred substantial costs to support our offline expansion.

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Selling and marketing expenses

Our selling and marketing expenses increased by 73.9% from RMB404.9 million in 2020 to RMB704.1 million in 2021, primarily due to the increases in (1) employee benefit expenses as a result of (i) the temporary increase in the headcount of sales and marketing personnel we admitted, (ii) the increase in share-based payments, and (iii) the discontinuation of government relief policies in 2021, which exempted or reduced our social insurance contribution during the COVID-19 outbreak in 2020, and (2) promotion expenses as a result of our enhanced efforts to promote our services and brand in support of our offline expansion. Our selling and marketing expenses as a percentage of our total revenue increased from 19.0% in 2020 to 20.5% in 2021 as we incurred substantial costs to support our offline expansion.

Research and development expenses

Our research and development expenses increased significantly from RMB124.4 million in 2020 to RMB287.0 million in 2021, primarily due to an increase in employee benefit expenses as a result of (1) the increase in the headcount of our R&D personnel, (2) the discontinuation of government relief policies in 2021, which exempted or reduced our social insurance contribution during the COVID-19 outbreak in 2020, and (3) the increase in share-based payments. Our research and development expenses as a percentage of our total revenue increased from 5.8% in 2020 to 8.4% in 2021, primarily due to our enhanced R&D efforts to support our business expansion.

Net impairment losses on financial assets

Our net impairment losses on financial assets decreased by 30.6% from RMB0.9 million in 2020 to RMB0.6 million in 2021, primarily due to our enhanced collection efforts for other receivables.

Other income

Our other income increased significantly from RMB9.8 million in 2020 to RMB25.0 million in 2021, primarily due to an increase in VAT refund and VAT reduction along with our increased revenue.

Other gains, net

Our other gains, net decreased by 65.5% from RMB3.6 million in 2020 to RMB1.2 million in 2021, primarily due to net losses related to early termination of lease agreements and disposal of related leasehold improvements, partially offset by the increases in (1) fair value gains on financial assets at fair value through profit or loss relating to our wealth management products and (2) net foreign exchange gains.

Finance costs, net

Our finance costs, net increased significantly from RMB5.9 million in 2020 to RMB17.7 million in 2021, primarily due to an increase in finance cost on lease liabilities relating to our offline operations.

Income tax expense/credit

We had income tax credit of RMB32.7 million and RMB12.0 million in 2020 and 2021, respectively, primarily due to the increases in (1) tax losses for which no deferred tax assets were recognized and (2) expenses not deductible for taxation purpose, partially offset by an increase in tax credit calculated at applicable statutory tax rate as a result of our increased loss before income tax.

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Loss for the year

As a result of the foregoing, we recorded net loss of RMB484.5 million and RMB2,046.0 million in 2020 and 2021, respectively, representing net loss margin of 22.7% and 59.7%, respectively.

Adjusted net loss (non-IFRS measure)

We used adjusted net profit/loss (non-IFRS measure) to supplement our consolidated financial statements. We recognized adjusted net loss (non-IFRS measure) of RMB362.8 million and RMB822.4 million in 2020 and 2021, respectively. See “— Non-IFRS Measure” for a reconciliation of our profit/loss for the year to our adjusted net profit/loss (non-IFRS measure).

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue increased by 83.7% from RMB1,160.3 million in 2019 to RMB2,132.1 million in 2020 for the following reasons.

- *Online tutoring services.* Our revenue generated from online tutoring services increased by 50.0% from RMB657.4 million in 2019 to RMB986.2 million in 2020, primarily due to an increase in the paid enrollments of our online tutoring courses and products from 5.9 million in 2019 to 8.9 million in 2020, along with an increase in the gross billings from our online tutoring services from RMB1,075.9 million in 2019 to RMB1,358.3 million in 2020, which was driven by, among other things, the launch of our premium courses in June 2020 and the popularity of our other courses and online learning products.
- *Classroom-based tutoring services.* Our revenue generated from classroom-based tutoring services increased significantly from RMB354.4 million in 2019 to RMB886.5 million in 2020, primarily due to the launch of our classroom-based tutoring on a large-scale basis in May 2020, as a result of which the paid enrollments of our classroom-based tutoring courses increased from 71,000 in 2019 to 710,000 in 2020, and the total gross billings from classroom-based tutoring services increased from RMB576.6 million in 2019 to RMB2,790.0 million in 2020.
- *Sales of books.* Our revenue generated from sales of books increased by 74.7% from RMB148.4 million in 2019 to RMB259.3 million in 2020, primarily due to (1) the increased sales volume of standalone sales activities driven by the accumulated brand recognition and teaching quality, and to a lesser extent, (2) the increased sales that accompany our course delivery, which was generally in line with the increase in our paid enrollments.

Cost of sales

Our cost of sales increased significantly from RMB624.1 million in 2019 to RMB1,642.1 million in 2020 for the following reasons.

- *Online tutoring services.* Our cost of sales in relation to tutoring services increased by 89.3% from RMB261.1 million in 2019 to RMB494.3 million in 2020, primarily due to the increases in employee benefit expenses and human resource outsourcing and other labor costs as we expanded our teaching team to support the launch of our premium course. Specifically, the number of our instructors and other teaching staff for online tutoring services increased from 115 as of December 31, 2019 to 2,732 as of December 31, 2020.

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- *Classroom-based tutoring services.* Our cost of sales in relation to classroom-based tutoring services increased significantly from RMB264.3 million in 2019 to RMB985.1 million in 2020 as we incurred substantial costs, mainly including employee benefit expenses to expand our teaching team and lease expenses to expand our geographical coverage, to support the launch of our classroom-based tutoring on a large-scale basis in May 2020. Specifically, the number of our instructors and other teaching staff for classroom-based tutoring services increased from 640 as of December 31, 2019 to 4,939 as of December 31, 2020.
- *Sales of books.* Our cost of sales in relation to sales of books increased by 65.1% from RMB98.6 million in 2019 to RMB162.8 million in 2020, primarily due to an increase in cost of course materials relating to papers as a result of (1) our increased sales volume and (2) the increased unit price of paper due to the COVID-19 pandemic.

Gross profit and gross margin

As a result of the foregoing, our gross profit decreased by 8.6% from RMB536.2 million in 2019 to RMB489.9 million in 2020, and our gross profit margin decreased from 46.2% in 2019 to 23.0% in 2020.

- *Online tutoring services.* The gross profit margin of our online tutoring services decreased from 60.3% in 2019 to 49.9% in 2020, as the revenue growth was outpaced by the increase in our costs of sales in relation to online tutoring services, primarily due to (1) the expansion of our teaching team to support the launch of our premium courses, which resulted in increased employee benefit expenses, and (2) the launch of premium courses in June 2020, which have a relatively lower student-instructor ratio, as compared to online systematic courses.
- *Classroom-based tutoring services.* We recorded gross margin of (11.1)% for our classroom-based tutoring services in 2020, as compared to gross margin of 25.4% in 2019, as the revenue growth was outpaced by the increase in our costs of sales in relation to classroom-based tutoring services, primarily because (1) we incurred substantial costs to support the launch of our classroom-based tutoring on a large-scale basis in May 2020, and (2) we launched various promotional courses priced at below RMB500 as part of our offline expansion initiatives to attract students.
- *Sales of books.* The gross profit margin of our sales of books increased from 33.6% in 2019 to 37.2% in 2020, primarily due to greater economies of scale.

Administrative expenses

Our administrative expenses increased significantly from RMB142.4 million in 2019 to RMB484.3 million in 2020, primarily because to accommodate our business growth and support our offline expansion, we experienced increases in (1) employee benefit expenses as a result of the increased headcount of administrative and management personnel, (2) human resource outsourcing and other labor costs due to increased headcount of contract workers, and (3) depreciation of right-of-use assets resulting from our increased number of office premises under long-term leases. Our administrative expenses as a percentage of our total revenue increased from 12.3% in 2019 to 22.7% in 2020 as we incurred substantial costs to support our offline expansion.

Selling and marketing expenses

Our selling and marketing expenses increased significantly from RMB116.2 million in 2019 to RMB404.9 million in 2020, primarily due to the increases in (1) employee benefit expenses as a result of increased headcount of our sales and marketing personnel as part of our offline expansion plan, (2) promotion expenses as a result of our enhanced efforts in promoting our services and brand, in

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particular our online premium courses and classroom-based tutoring courses, and (3) human resource outsourcing and other labor costs. Our selling and marketing expenses as a percentage of our total revenue increased from 10.0% in 2019 to 19.0% in 2020 as we incurred substantial costs to support our offline expansion.

Research and development expenses

Our research and development expenses increased by 19.5% from RMB104.1 million in 2019 to RMB124.4 million in 2020, primarily due to an increase in employee benefit expenses as a result of the increased headcount of our research and development personnel to accommodate our business expansion. Our research and development expenses as a percentage of our total revenue decreased from 9.0% in 2019 to 5.8% in 2020, primarily because our revenue growth outpaced the increase in our research and development expenses as we enhanced the efficiency of our technological development activities.

Net impairment losses on financial assets

Our net impairment losses on financial assets increased significantly from RMB24,000 in 2019 to RMB0.9 million in 2020, primarily due to an increase in loss allowance provision for trade and other receivables.

Other income

Our other income increased by 25.0% from RMB7.8 million in 2019 to RMB9.8 million in 2020, primarily due to an increase in value-added tax deduction, partially offset by a decrease in sublease income relating to our sublease of vacant leased properties previously used for discontinued course offerings.

Other gains, net

Our other gains, net decreased by 25.0% from RMB4.7 million in 2019 to RMB3.6 million in 2020, primarily due to an increase in donation of RMB5.9 million in 2020 relating to the prevention and containment of COVID-19, partially offset by an increase in fair value gains of financial assets at fair value through profit or loss relating to our wealth management products.

Finance costs, net

Our finance costs, net increased significantly from RMB2.0 million in 2019 to RMB5.9 million in 2020, primarily due to an increase in finance cost on lease liabilities relating to our offline operations.

Income tax expense/credit

We had income tax credit of RMB32.7 million in 2020, as compared to income tax expense of RMB30.0 million in 2019, primarily due to loss before income tax we incurred in 2020, partially offset by an increase in tax losses for which no deferred tax assets was recognized.

Profit/Loss for the year

As a result of the foregoing, we recorded net profit of RMB154.1 million in 2019 and net loss of RMB484.5 million in 2020, representing net margin of 13.3% and negative 22.7%, respectively.

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Adjusted net profit/loss (non-IFRS measure)

We used adjusted net profit/loss (non-IFRS measure) to supplement our consolidated financial statements. We recorded adjusted net profit (non-IFRS measure) of RMB175.2 million in 2019 and adjusted net loss (non-IFRS measure) of RMB362.8 million in 2020. See “— Non-IFRS Measure” for a reconciliation of our profit/loss for the year to our adjusted net profit/loss (non-IFRS measure).

DISCUSSION OF MAJOR BALANCE SHEET ITEMS

The following table sets forth details of our summary consolidated balance sheet as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
ASSETS				
Non-current assets				
Property, plant and equipment . . .	19,068	133,574	231,105	164,346
Right-of-use assets	69,983	338,120	429,680	269,570
Intangible assets	770	691	882	827
Prepayments and other receivables	11,240	13,748	35,234	20,538
Deferred income tax assets	—	39,993	64,808	41,487
Total non-current assets	101,061	526,126	761,709	496,768
Current assets				
Inventories	52,636	73,849	87,197	88,732
Trade receivables	4,740	7,522	5,656	18,205
Contract assets	—	—	20,528	60,160
Prepayment and other receivables	45,493	77,147	97,127	75,885
Financial assets at fair value through profit or loss	280,181	351,639	10,139	—
Cash and cash equivalents	161,783	332,650	1,159,867	1,253,529
Total current assets	544,833	842,807	1,380,514	1,496,511
Total assets	645,894	1,368,933	2,142,223	1,993,279
EQUITY/(DEFICIT)				
Equity/(deficit) attributable to owners of the Company				
Share capital	—	42	47	47
Share premium	—	2,307,991	2,648,395	2,648,395
Other reserves	61,048	(8,516,304)	(8,465,224)	(8,776,812)
Retained earnings/(Accumulated losses)	116,583	(367,889)	(2,417,858)	(2,810,126)
Total equity/(deficit)	177,631	(6,576,160)	(8,234,640)	(8,938,496)
LIABILITIES				
Non-current liabilities				
Lease liabilities	40,577	178,563	267,904	172,296
Financial liabilities at fair value through profit or loss	—	6,390,956	8,756,164	9,614,491
Deferred income	—	—	—	1,000
Total non-current liabilities	40,577	6,569,519	9,024,068	9,787,787

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	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Current liabilities				
Trade and other payables	76,453	312,528	313,360	167,808
Contract liabilities	109,314	156,103	169,194	157,618
Refund liabilities	196,103	757,752	680,293	685,002
Current income tax liabilities . .	19,333	20,439	22,164	26,782
Lease liabilities	26,456	128,752	167,784	106,778
Deferred tax liabilities	27	—	—	—
Total current liabilities	427,686	1,375,574	1,352,795	1,143,988
Total liabilities	468,263	7,945,093	10,376,863	10,931,775
Total equity/(deficit) and liabilities	645,894	1,368,933	2,142,223	1,993,279

Property, Plant and Equipment

Our property, plant and equipment consisted of machinery, electronic equipment, motor vehicles, furniture, fittings and equipment, construction-in-progress, and leasehold improvements.

Our property, plant and equipment increased from RMB19.1 million as of December 31, 2019 to RMB133.6 million as of December 31, 2020, primarily due to the increases in leasehold improvements and electronic equipment in connection with our offline expansion and overall business growth. Our property, plant and equipment further increased to RMB231.1 million as of December 31, 2021, primarily due to the increases in (1) leasehold improvements and electronic equipment in connection with our offline expansion and overall business growth, and (2) printing machines for the production of our in-house developed textbooks and learning materials in line with the increased sales volume, partially offset by a decrease in electronic equipment as a result of disposal of surplus following the optimization of our employee structure. Our property, plant and equipment decreased to RMB164.3 million as of June 30, 2022, primarily due to decreases in leasehold improvements and electronic equipment in connection with the adjustment of our offline coverage.

Right-of-use Assets

Our right-of-use assets primarily consisted of office premises for our offline operations and classroom-based tutoring venues under long-term leases. Our right-of-use assets increased from RMB70.0 million as of December 31, 2019 to RMB338.1 million as of December 31, 2020, primarily due to newly leased properties in connection with our significant offline expansion efforts in May 2020. Our right-of-use assets further increased to RMB429.7 million as of December 31, 2021, primarily due to newly leased properties in connection with our offline expansion. Our right-of-use assets decreased to RMB269.6 million as of June 30, 2022, primarily due to termination of lease agreements in connection with the adjustment of our offline coverage.

Trade Receivables

Our trade receivables primarily consisted of amounts due from third-party book sellers for our textbooks and learning materials. We generally grant third-party book sellers a credit period of no more than 60 days.

Our trade receivables increased from RMB4.7 million as of December 31, 2019 to RMB7.5 million as of December 31, 2020, primarily due to our increased book sales. Our trade receivables decreased to RMB5.7 million as of December 31, 2021, primarily due to the reduced book sales as a result of the regional resurgence of COVID-19 cases in late 2021. Our trade receivables increased to

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RMB18.2 million as of June 30, 2022, primarily due to our increased book sales and printing services. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we recorded allowance for impairment of RMB51,000, RMB0.2 million, RMB0.1 million and RMB0.2 million, respectively.

The following table sets forth the number of our trade receivables turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Trade receivables turnover days ⁽¹⁾	1	1	1	1

(1) Trade receivables turnover days was calculated based on the average of opening and closing balance of trade receivables for the relevant period, divided by the revenue for the same period, and multiplied by 365/183 days.

All of our trade receivables were aged within one year, which indicated our customers' prompt settlement of our trade receivables during the Track Record Period. The following table sets forth an aging analysis of our gross trade receivables as of the dates indicated based on the invoice date.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Up to one month	3,159	4,508	2,674	9,477
One to two months	457	1,392	1,461	2,246
Two to three months	1,025	1,344	726	5,525
Three to six months	150	463	837	621
Six to 12 months	—	—	72	582
Total	4,791	7,707	5,770	18,451

As of October 31, 2022, approximately RMB17.1 million, or 92.5%, of our trade receivables as of June 30, 2022 had been settled.

Contract Assets

Contract assets primarily represented our right to consideration in relation to our postpaid contractual classes that allow for postponed payment of a portion of the course fees only upon passing the relevant examinations. We began to offer these postpaid contractual classes for certain courses starting in 2020. We record a certain percentage of the course fees to be collected for postpaid contractual classes as contract assets based on the estimated passage rates and the service progress. We had contract assets of nil, nil, RMB20.5 million and RMB60.2 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We did not record contract assets as of December 31, 2020 in consideration of prudence and materiality, primarily because (1) we started to offer postpaid contractual classes in 2020, and there were no historical passage rates available for us to reasonably derive an estimated passage rate for that year, and (2) we offered such classes at a limited scale in 2020, which we believe was insignificant to our financial position as of December 31, 2020. See "Business — Our Tutoring Services — Course Fees and Refund Policies." Our contract assets increased from RMB20.5 million as of December 31, 2021 to RMB60.2 million as of June 30, 2022, primarily because the Regional Civil Servants Examinations originally scheduled in the first half of 2022 had been postponed to the second half as a result of the regional resurgence of COVID-19 cases in China, leading to delayed settlement of contract assets.

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The following table sets forth the number of our contract assets turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Contract assets turnover days ⁽¹⁾	—	—	1	5

(1) Contract assets turnover days was calculated based on the average of opening and closing balance of contract assets for the relevant period, divided by the revenue for the same period, and multiplied by 365/183 days.

After the examination results are released, we contact relevant students and request either payment of the course fees or proof of no-pass. As of October 31, 2022, 100.0% of our contract assets as of June 30, 2022 were certificated, which was settled by the relevant students.

The following table sets forth the number of our trade receivables and contract assets turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Trade receivables and contract assets turnover days ⁽¹⁾	2	1	2	7

(1) Trade receivables and contract assets turnover days was calculated based on the average of opening and closing balance of gross trade receivables and contract assets for the relevant period, divided by the revenue for the same period, and multiplied by the number of days in that period.

Inventories

Our inventories primarily consisted of finished goods, raw materials and work in progress primarily in connection with our sales of textbooks and learning materials. The following table sets forth the details of our inventories as of the date indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Finished goods	27,053	51,416	51,134	58,405
Raw materials	17,114	13,134	16,980	17,393
Work in progress	8,469	9,299	19,083	12,934
Total	52,636	73,849	87,197	88,732

Our inventories increased from RMB52.6 million as of December 31, 2019 to RMB73.8 million as of December 31, 2020 and further to RMB87.2 million as of December 31, 2021, generally in line with the increased sales of our textbooks and learning materials. Our inventories remained relatively stable at RMB88.7 million as of June 30, 2022.

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The following table sets forth the number of our inventories turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Inventories turnover days ⁽¹⁾	36	14	11	21

(1) Inventories turnover days was calculated based on the average of opening and closing balance of inventories for the relevant period, divided by the cost of sales for the same period, and multiplied by 365/183 days.

The following table sets forth an aging analysis of our inventories as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Up to one year	48,902	69,049	86,307	82,505
One to two years	3,734	4,141	654	5,513
Two to three years	—	659	236	714
Total	52,636	73,849	87,197	88,732

As of October 31, 2022, approximately RMB65.0 million, or 73.3%, of our inventories as of June 30, 2022 had been delivered or consumed.

Our Directors are of the view that there is no material recoverability issue for our inventories, primarily because (1) a substantial portion of the inventories as of June 30, 2022 were aged less than one year, (2) our raw materials and certain finished goods, such as stationary, are generally not subject to expiration, and the finished goods aged over one year are not perishable or fragile products and can maintain saleable value, and (3) as for books and learning materials, we assessed their applicability from time to time and recorded cost of sales for forfeiture of any outdated ones, and therefore considered there was no material difficulty in the utilization of our inventories as of the end of each reporting period. As a result, we did not make any provisions for our inventories at the end of each reporting period.

Prepayment and Other Receivables

Our prepayment and other receivables primarily consisted of prepayment paid to our suppliers in our daily operations, such as landlords and property management service providers in connection with the leased properties for our classroom-based tutoring, as well as paper suppliers. The following table sets forth the details of our prepayment and other receivables as of the date indicated.

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	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Non-current portion:				
Prepayments for property, plant and equipment	331	1,857	420	1,531
Long-term receivables related to sublease income	—	—	2,663	1,262
Deposits receivable	10,909	11,891	32,214	17,774
Less: loss allowance	—	—	(63)	(29)
Subtotal	11,240	13,748	35,234	20,538
Current portion:				
Advances to suppliers	9,196	35,653	29,146	20,844
Prepayment for taxes	13,334	378	3,955	2,251
Deposits receivable	1,969	25,788	15,686	17,957
Current portion of long-term receivables	—	—	3,357	4,626
Loan to third party ⁽¹⁾	5,000	—	—	—
Input VAT recoverable	4,467	3,010	23,220	8,122
Amount due from related parties	4,000	640	2,993	152
Others ⁽²⁾	7,794	12,734	20,314	22,699
Less: loss allowance	(267)	(1,056)	(1,544)	(766)
Subtotal	45,493	77,147	97,127	75,885
Total	56,733	90,895	132,361	96,423

(1) Represents an interest-bearing loan we provided to Supplier C, which had been fully repaid in August 2020. As advised by our PRC Legal Advisors, according to the relevant loan agreement and based on their inquiries into the transaction details with our Company, the arrangement is a private lending agreement concluded for production and business operations, and there is no indication of circumstances as stipulated in the Civil Code and specified in Article 13 of the Private Lending Regulations that causes the agreement to be invalid nor any dispute between the relevant parties regarding the arrangement. In addition, the annual interest rate of 8% under the agreement does not violate the relevant explicit provisions of the Private Lending Regulations. See “Business — Our Customers and Suppliers — Our Suppliers.”

(2) Include primarily prepayments for employee reimbursement, listing expenses, insurance policies and labor outsourcing services, as well as receivables relating to Alipay withdrawals and terminated leases.

Our prepayment and other receivables increased from RMB56.7 million as of December 31, 2019 to RMB90.9 million as of December 31, 2020, primarily due to the increases in (1) advances to suppliers for property management and (2) deposits receivable relating to rental, both of which were incurred for our newly leased properties for classroom-based tutoring during the offline expansion process. Our prepayment and other receivables further increased to RMB132.4 million as of December 31, 2021, primarily due to the increases in (1) deposits receivable relating to rental in connection with our offline expansion and (2) input VAT recoverable in line with our business growth. Our prepayment and other receivables decreased to RMB96.4 million as of June 30, 2022, primarily due to decreases in (1) deposits receivable and advances to suppliers relating to leased properties in connection with the adjustment of our offline coverage, and (2) input VAT recoverable as a result of decreased expenses not deductible for taxation purpose.

As of October 31, 2022, approximately RMB41.1 million, or 42.6%, of our prepayment and other receivables as of June 30, 2022 had been settled.

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Cash and Cash Equivalents

Our cash and cash equivalents primarily consisted of bank deposits on demand. Our cash and cash equivalents increased from RMB161.8 million as of December 31, 2019 to RMB332.7 million as of December 31, 2020, generally in line with our business growth. Our cash and cash equivalents further increased to RMB1,159.9 million as of December 31, 2021, primarily because we raised US\$389.4 million from the equity financing, which was completed in June 2021, and redeemed certain wealth management products in late 2021, partially offset by net cash used in operating activities. Our cash and cash equivalents increased to RMB1,253.5 million as of June 30, 2022, primarily due to our efforts in managing our growth and improving our profitability. See “— Liquidity and Capital Resources — Cash Flows” for details.

Financial Assets at Fair Value through Profit or Loss

Our financial assets at fair value through profit or loss primarily consisted of our investments in wealth management products and derivatives. The wealth management products we invested in during the Track Record Period were typically low-risk products issued by reputable and licensed commercial banks with risk ratings of no more than R2/PR2 or equivalent and estimated weighted average return rates ranging from 2.56% to 4.20% per annum, and were redeemable either on demand or within a short period of time after purchases. The wealth management products we purchased during the Track Record Period primarily invested in fixed-income instruments, such as cash, deposits, interbank deposits, treasury bonds, corporate bonds, short- to medium-term notes, standardized notes, money market funds and trust plans for the above-mentioned assets. We had financial assets at fair value through profit or loss of RMB280.2 million, RMB351.6 million, RMB10.1 million and nil as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively, all of which represented our investments in wealth management products. We also invested in foreign exchange derivatives during the Track Record Period to manage our exposure to foreign exchange risk in relation to proceeds from our equity financing denominated in US dollars, which presented no balance at the end of each reporting period during the Track Record Period.

Investment and treasury management policies

We may continue to invest in similar wealth management products and foreign exchange derivatives, in the future using our surplus cash. Starting from 2022, we typically redeem our investments in wealth management products upon their maturities before the end of each quarter. Our Board and the finance department are mainly responsible for making, implementing and supervising our investment decisions. We implemented during the Track Record Period, or will continue to implement, the following investment and treasury policies:

- the purpose of our investment in wealth management products is to preserve the time value of our cash reserves and to fund our business;
- we only invest in wealth management products when we have surplus cash that is not required for our short-term working capital purposes;
- our Board is responsible for the overall planning and our chief financial officer is responsible for the approval of our investment in wealth management products;
- our finance department is responsible for the purchase and management of our wealth management products and evaluates their respective terms including, among others, liquidity, risk and expected return before submitting them to our chief financial officer for final decision;

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- we mainly make investments in short-term wealth management products issued by reputable and licensed commercial banks with low risk, high liquidity and reasonable returns, and diversify our investment portfolio to minimize risk exposure;
- we assess the risk associated with the underlying financial instruments based on the risk classification provided by the issuing licensed commercial bank or securities company; and
- we only invest in foreign exchange settlement products and other foreign exchange derivatives issued by financial institutions approved by SAFE and the PBOC to engage in foreign exchange transactions for the purpose of reducing our exposure to foreign currency exchange risk, and our foreign exchange related investment plans are subject to stringent internal review and approval procedures taking into consideration our working capital requirements.

In addition, we will comply with requirements under Chapter 14 of the Listing Rules and disclose the details of our investments or other notifiable transactions to the extent necessary and as appropriate after the Listing.

Financial Liabilities at Fair Value through Profit or Loss

Our financial liabilities at fair value through profit or loss were primarily related to convertible preferred shares issued in our equity financings, which will be re-designated as equity upon the Listing. We had financial liabilities at fair value through profit or loss of nil, RMB6,391.0 million, RMB8,756.2 million and RMB9,614.5 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. We applied discounted cash flow method to determine the underlying equity value of our Company and adopted option pricing method and equity allocation model to determine the fair value of the convertible preferred shares. See Note 26 to the Accountant's Report in Appendix I to this prospectus for details.

Financial Value Measurements

We made judgments and estimates in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To indicate the reliability of inputs in determining the fair values, we classified our financial instruments into three levels prescribed under the accounting standards:

- Level 1: The fair value of financial instruments traded in active markets, such as publicly traded derivatives and trading and equity securities, is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by our Group is the current bid price. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market, such as over-the-counter derivatives, is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between level 1, level 2 and level 3 during the Track Record Period.

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The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows at the current market interest rate available for similar financial instruments. The following tables set forth the fair value of our financial assets as of the dates indicated.

	Fair value as of December 31,			Fair value as of June 30, 2022	Fair value hierarchy	Unobservable inputs
	2019	2020	2021			
	(RMB in thousands)					
Financial Assets						
Wealth management products	280,181	351,639	10,139		— Level 3	The estimated weighted average return rates of these products were 2.56% to 4.20% per annum

The valuation techniques used to determine the fair value of our level 3 instruments are discounted cash flow method and option-pricing method. The following table sets forth the fair value of our financial liabilities as of the dates indicated.

Description	Fair value as of December 31,		Fair value as of June 30, 2022	Significant unobservable inputs	Range of inputs			Relationship of significant unobservable inputs to fair value
	2020	2021			2020	2021	Six months ended June 30, 2022	
	(RMB in thousands)							
Convertible preferred shares	6,390,956	8,756,164	9,614,491	Discount rate	15%	13.5%	13.0%	The higher the discount rate, the lower the fair value.
				Discounts for lack of marketability	20%	10%–20%	10%–20%	The higher the discount for lack of marketability, the lower the fair value.
				Expected volatility	48.03%	49.68%–50.89%	52.29%–57.60%	The higher the expected volatility, the lower the fair value.

Our finance department performs the valuations of the financial instruments and reports directly to the chief financial officer. Discussions of valuation processes and results are held between the chief financial officer and the finance department annually. In relation to the valuation of level 3 instruments, our finance department and chief financial officer have (1) reviewed the terms of agreements relating to the instruments; (2) carefully considered all information especially those non-market related information input, such as the weighted average cost of capital, revenue projection and long-term revenue growth rate, which required management assessment and estimates; and, to the extent applicable, (3) engaged qualified third-party valuers, provided necessary financial and non-financial information to the valuers for them to assess our performed valuation procedures, discussed with the valuers on relevant assumptions and reviewed the valuation reports prepared by the valuers. Based on the above procedures and the professional advice received, our Directors are of the view that the valuation analysis performed on level 3 instruments is fair and reasonable and the financial statements of our Group are properly prepared. Should any of the estimates and assumptions changed, it may lead to a change in the fair value of the level 3 instruments. See Note 3.3 to the Accountant's Report in Appendix I to this prospectus for more details.

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In relation to the valuation of the level 3 financial instruments, the Joint Sponsors have conducted relevant due diligence work, including but not limited to (1) reviewed relevant notes to the Accountant’s Report in Appendix I to this prospectus; (2) reviewed relevant documents of the level 3 financial instruments provided by the Company; (3) reviewed the professional qualification of the qualified valuer engaged by the Company for certain level 3 financial instruments; (4) reviewed relevant valuation documents prepared by the qualified valuer for certain level 3 financial instruments; (5) conducted due diligence with the Company to understand the relevant policies, procedures and key basis and assumptions for the valuation of these level 3 financial instruments; and (6) discussed with the Reporting Accountant to understand the work they have performed in this regard. Having considered the above, nothing has come to the Joint Sponsors’ attention that would cause them to question the relevant valuation work performed for the Company’s level 3 financial instruments during the Track Record Period.

Details of the fair value measurements of financial assets, particularly the fair value hierarchy, the valuation techniques and key inputs, including significant unobservable inputs, the relationship of unobservable inputs to fair value are disclosed in Note 3.3 of the Accountant’s Report in Appendix I to this prospectus which was issued by the Reporting Accountant in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 “Accountants’ Report on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants. The Reporting Accountant’s opinion on the Historical Financial Information, as a whole, of the Group for the Track Record Period is set out on page I-1 to I-3 of Appendix I to this prospectus.

Trade and Other Payables

Our trade and other payables primarily consisted of trade payables, accrued salaries and bonus and tax payables. The following table sets forth the details of our trade and other payables as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Trade payables	32,624	31,767	28,431	18,427
Accrued salaries and bonus	30,109	222,034	169,216	87,148
Tax payables (other than income tax payable)	12,486	54,013	91,788	33,168
Other payables	1,234	4,714	23,925	29,065
Total	76,453	312,528	313,360	167,808

Our trade payables primarily consisted of amounts payable to (1) suppliers of paper and printing services in connection with the sales of books, and (2) labor outsourcing vendors. Our trade payables remained relatively stable at RMB32.6 million, RMB31.8 million, RMB28.4 million and RMB18.4 million as of December 31, 2019, 2020 and 2021 and June 30, 2022, respectively. Accrued salaries and bonus primarily represented wages, salaries, bonuses, pension and other social security costs, and other employee welfares due to our employees, including provisions made for the shortfall of our social insurance and housing reserve fund contributions. Our accrued salaries and bonus increased from RMB30.1 million as of December 31, 2019 to RMB222.0 million as of December 31, 2020, primarily due to an increase in the number of our employees to support our business expansion. Our accrued salaries and bonus decreased to RMB169.2 million as of December 31, 2021, primarily due to the decreased employee headcount as a result of our employee structure optimization. Our accrued salaries and bonus further decreased to RMB87.1 million as of June 30, 2022, primarily because (1) the accrued year-end bonus at the end of 2021 was paid in the first half of 2022, and no additional year-end bonus was accrued thereafter, and (2) the employee headcount decreased as a result of our employee structure

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optimization. Tax payables other than income tax payable primarily represented value-added tax payable and surcharges payable. Our tax payables increased during the Track Record Period in line with our business growth.

The following table sets forth the number of our trade payables turnover days for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Trade payables turnover days ⁽¹⁾ . . .	14	7	4	6

(1) Trade payables turnover days was calculated based on the average of opening and closing balance of trade payables for the relevant period, divided by the cost of sales for the same period, and multiplied by 365/183 days.

Our suppliers typically grant us a credit period of no more than 30 days. Substantially all of our trade payables were aged within one year. The following table sets forth an aging analysis of our trade payables as of the dates indicated based on the invoice date.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Within one year	32,531	31,747	28,348	18,375
One to two years	93	1	82	51
Over two years	—	19	1	1
Total	32,624	31,767	28,431	18,427

As of October 31, 2022, approximately RMB17.8 million, or 96.6%, of our trade payables as of June 30, 2022 had been settled.

Contract Liabilities

Our contract liabilities primarily represented prepaid course fees we received from our students for our tutoring services, for which our performance obligation had not been satisfied. For non-contractual classes, a substantial portion of the fees received are initially recorded as contract liabilities based on an estimated withdrawal rate, which are subsequently recognized proportionately over the relevant service periods as revenue. For contractual classes, the courses fees for which we expect to be entitled based on the estimated refund rate are initially recorded as contract liabilities and subsequently recognized as revenue over the relevant service periods. Our contract liabilities increased from RMB109.3 million as of December 31, 2019 to RMB156.1 million as of December 31, 2020, and further to RMB169.2 million as of December 31, 2021, primarily due to our business growth driven by, among other things, our offline expansion. Our contract liabilities decreased to RMB157.6 million as of June 30, 2022, generally in line with the decrease in our gross billings as a result of the postponement of certain examinations caused by the COVID-19 resurgence in the first half of 2022.

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The following table sets forth the details of our contract liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Non-contractual classes	77,469	111,138	113,744	124,069
Contractual classes	23,400	35,634	46,535	23,749
Online learning products	8,445	9,331	8,915	9,800
Total	109,314	156,103	169,194	157,618

As of October 31, 2022, RMB109.5 million, or 69.5%, of our contract liabilities as of June 30, 2022 had been recognized as our revenue.

Refund Liabilities

Our refund liabilities represented primarily the courses fees which we do not expect to be entitled to, including primarily the portion of course fees of our contractual classes for which we expect withdrawals or no-pass refund requests, and to a much lesser extent, the portion of course fees of other non-contractual classes at withdrawal and our online learning products, mainly including the challenge exercise product. As for our contractual classes, if our students fail to pass the examination as specified in our agreement, they are entitled to a partial or full refund for the course fees. See “Business — Our Tutoring Services — Course Fees and Refund Policies.” Our refund liabilities increased from RMB196.1 million as of December 31, 2019 to RMB757.8 million as of December 31, 2020, primarily due to the increase in the paid enrollments of our contractual classes as we have launched an increasing number of contractual classes since 2020. The paid enrollments of our contractual classes increased from 35,200 in 2019 to 154,400 in 2020. Our refund liabilities decreased to RMB680.3 million as of December 31, 2021, primarily because we adjusted our business development strategies, and as a result, reduced the proportion of the course fees of contractual classes that are subject to refund for no-pass and the offering of written test contractual classes that are subject to full refund for no-pass in the second half of 2021. Our refund liabilities remained relatively stable at RMB685.0 million as of June 30, 2022.

After the examination results are released, we will refund the course fees upon the completion of review of valid refund requests from our students and recognize the remaining refund liabilities as revenue only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. As the actual refund requests may differ from our initial estimation, we may have to reverse revenue previously recognized or recognize additional revenue. During the Track Record Period, we estimated the expected refund rates in relation to contractual classes based on historical records of the refund claimed by the customers. When there are no sufficient historical records for us to estimate the behavior-based refund rates, revenue will not be recognized until uncertainty associated with the variable considerations is resolved, namely when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. Such circumstance may occur if we were to launch courses targeting a new examination sector. During the Track Record Period, there had been no such circumstances when there were no sufficient historical records, as while we had offered diversified courses in terms of, for example, course length, content and intensity, the examination sectors we covered remained relatively stable. See “— Critical Accounting Policies, Judgments and Estimates — Revenue Recognition” and Note 4(b) to the Accountant’s Report in Appendix I to this prospectus. Based on the actual valid refund requests we received after examination results were released and up to November 30, 2022, our actual refund obligation in relation to contractual classes was RMB23.8 million less than, RMB1.1 million more than and RMB88.5 million less than estimated in 2019, 2020 and 2021, respectively, representing 2.3%, 0.1% and 2.9% of our total revenue generated from tutoring services for the same periods, respectively. The actual refund obligation in relation to contractual classes was RMB58.5 million less than estimated in the six months ended June 30, 2022, representing 4.7% of our total revenue generated from tutoring services for the same period, without taking into consideration contractual classes for which the relevant examination results had not been released as of November 30, 2022, as the comparison for the refund status of such courses would not present meaningful results. Such difference between estimated

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and actual refund obligations may be subject to further changes while we may continue to receive and settle refund requests by students who took courses in the six months ended June 30, 2022 and recently received their examination results. Based on our experience and current estimation, we do not expect any major differences between the actual and estimated refund obligation in relation to contractual classes in the year ending December 31, 2022. Such difference would be recognized as revenue in the same year or the following year, depending on the timing of the results confirmation. As such, our revenue recognition based on the expected refund rate during the Track Record Period is not likely to result in a significant revenue reversal when the uncertainty associated with the variable consideration is subsequently resolved. During the Track Record Period and up to the Latest Practicable Date, our obligations to fulfil the refund requests had not materially and adversely affected our liquidity position.

The following table sets forth the details of our refund liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Non-contractual classes				
Estimated withdrawal refund . . .	6,585	8,960	15,347	25,020
Contractual classes				
Estimated refund for the portion of courses fees that is subject to no-pass refund	183,395	730,508	637,075	628,418
Estimated refund for the portion of courses fees that is not subject to no-pass refund. . . .	3,392	14,032	24,032	26,287
Online learning products.	2,731	4,252	3,839	5,277
Total	196,103	757,752	680,293	685,002

We determine the estimated withdrawal refund rates of non-contractual classes and the estimated refund rates of contractual classes with reference to their respective historical refund rates, which were ascertained by tracking the course fees received and refunded of historical orders on an ongoing basis. The timing of refunds for orders initiated in a given period may be carried over to the next calendar year. At the end of each year, we would revisit the actual refunds of previous orders to determine whether the estimated refund rates for the coming year should be adjusted. The estimated withdrawal refund rate adopted for non-contractual classes was 3.0% during the Track Record Period, without taking into account the withdrawals prior to the class start date, which we believe bears little impact on our results of operations and financial condition. As for the contractual classes, during the Track Record Period, the estimated refund rates adopted for the portion of courses fees that is subject to refund for no-pass ranged between 30.0% to 90.0% for different recruitment and qualification examinations, and the estimated refund rate adopted for the remaining portion of course fees was 20.0%. In addition, we adopted a 50% estimated refund rate for the challenge exercise product.

The following table sets forth the number of paid enrollments of contractual classes with actual subsequent refunds and the corresponding course fee refunded for the periods indicated.

	Year ended December 31,			Six months ended June 30,
	2019	2020	2021	2022
Number of paid enrollments	11,000	67,000	170,000	46,000
Course fee refunded (RMB in thousands).	193,475	1,020,800	2,612,102	522,339

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The course fee refunded for contractual classes increased significantly from 2020 to 2021, primarily because (1) the course fee collected in relation to contractual classes increased from RMB2,042.6 million in 2020 to RMB3,565.5 million in 2021, leading to a corresponding increase in the course fee refunded and, to a lesser extent, (2) a portion of the refunds for courses relating to the 2020 Regional Civil Servants Examinations were delayed and carried out in 2021 as the relevant examinations were postponed due to the COVID-19 outbreak.

The following table sets forth an aging analysis of our refund liabilities as of the dates indicated.

	As of December 31,			As of June 30,
	2019	2020	2021	2022
	(RMB in thousands)			
Up to three months	91,816	418,910	253,077	121,846
Three to six months	49,056	224,090	210,763	303,496
Six to nine months	35,461	16,565	157,995	114,568
Nine to 12 months	19,658	15,454	20,962	73,412
Over one year	112	82,733	37,496	71,680
Total	196,103	757,752	680,293	685,002

Substantially all of our refund liabilities were aged within one year. Our refund liabilities aged over one year as of December 31, 2020 and 2021 were primarily related to contractual classes with a relatively long service period which we once offered in 2019 and 2020. Our refund liabilities aged between nine to 12 months and over one year increased as of June 30, 2022, primarily because the Regional Civil Servants Examinations originally scheduled in the first half of 2022 had been postponed to the second half, and accordingly the related settlement of refunds and recognition of revenue were delayed.

Movement of Contract Liabilities and Refund Liabilities

The following table sets forth the movements of our contract liabilities and refund liabilities during the Track Record Period.

	Non-contractual classes	Contractual classes	Online learning products	Total
	(RMB in thousands)			
<i>For the year ended December 31, 2019</i>				
Contract liabilities as of January 1, 2019 . .	67,387	238	3,444	71,069
Refund liabilities as of January 1, 2019 . . .	4,660	48,411	151	53,222
Course fee collected ⁽¹⁾	795,764	573,521	93,252	1,462,537
Course fee refunded	(11,933)	(193,475)	(26,519)	(231,927)
Withdrawal refund	(11,933)	(57,493)	—	(69,426)
No-pass refund	—	(135,982)	—	(135,982)
Refund relating to online learning products	—	—	(26,519)	(26,519)
Revenue recognition ⁽²⁾	(771,824)	(218,508)	(59,152)	(1,049,484)
Contract liabilities as of December 31, 2019	77,469	23,400	8,445	109,314
Refund liabilities as of December 31, 2019 .	6,585	186,787	2,731	196,103

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	Non-contractual classes	Contractual classes	Online learning products	Total
	(RMB in thousands)			
For the year ended December 31, 2020				
Contract liabilities as of January 1, 2020 . . .	77,469	23,400	8,445	109,314
Refund liabilities as of January 1, 2020 . . .	6,585	186,787	2,731	196,103
Course fee collected ⁽¹⁾	1,408,181	2,042,634	253,748	3,704,563
Course fee refunded	(48,894)	(1,020,800)	(91,136)	(1,160,830)
Withdrawal refund	(48,894)	(303,720)	—	(352,614)
No-pass refund	—	(717,080)	—	(717,080)
Refund relating to online learning products	—	—	(91,136)	(91,136)
Revenue recognition ⁽²⁾	(1,323,243)	(451,847)	(160,205)	(1,935,295)
Contract liabilities as of December 31, 2020	111,138	35,634	9,331	156,103
Refund liabilities as of December 31, 2020.	8,960	744,540	4,252	757,752
For the year ended December 31, 2021				
Contract liabilities as of January 1, 2021 . . .	111,138	35,634	9,331	156,103
Refund liabilities as of January 1, 2021 . . .	8,960	744,540	4,252	757,752
Course fee collected ⁽¹⁾	2,006,516	3,565,526	227,059	5,799,101
Course fee refunded	(73,168)	(2,612,102)	(80,975)	(2,766,245)
Withdrawal refund	(73,168)	(527,165)	—	(600,333)
No-pass refund	—	(2,084,937)	—	(2,084,937)
Refund relating to online learning products	—	—	(80,975)	(80,975)
Revenue recognition ⁽²⁾	(1,924,355)	(1,025,956)	(146,913)	(3,097,224)
Contract liabilities as of December 31, 2021	113,744	46,535	8,915	169,194
Refund liabilities as of December 31, 2021.	15,347	661,107	3,839	680,293
For the six months ended June 30, 2022				
Contract liabilities as of January 1, 2022 . . .	113,744	46,535	8,915	169,194
Refund liabilities as of January 1, 2022 . . .	15,347	661,107	3,839	680,293
Course fee collected ⁽¹⁾	882,442	816,946	141,038	1,840,426
Course fee refunded	(36,954)	(522,339)	(50,921)	(610,214)
Withdrawal refund	(36,954)	(154,383)	—	(191,337)
No-pass refund	—	(367,956)	—	(367,956)
Refund relating to online learning products	—	—	(50,921)	(50,921)
Revenue recognition ⁽²⁾	(825,490)	(323,795)	(87,794)	(1,237,079)
Contract liabilities as of June 30, 2022 . . .	124,069	23,749	9,800	157,618
Refund liabilities as of June 30, 2022 . . .	25,020	654,705	5,277	685,002

(1) Course fee collected represents net funds received for the sales of our courses and products, excluding primarily (i) value-added tax, (ii) repayments to students who purchased non-contractual classes yet determined not to attend the classes before the start date, and (iii) repayments for unapplied discount at purchase as requested by students.

(2) Includes revenue generated from sales of books of RMB37.6 million, RMB62.6 million, RMB104.5 million and RMB36.6 million in 2019, 2020, 2021 and the six months ended June 30, 2022, respectively, for the books included in the course packages of both contractual and non-contractual classes.

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The following table sets forth the refund rates for our contractual and non-contractual classes and the total refund rates by nature in terms of course fee collected, as calculated by dividing the amount of course fees refunded in a given period by the amount of course fees collected in the same period, during the Track Record Period.

	<u>Non-contractual classes</u>	<u>Contractual classes</u>	<u>Total</u>
<i>For the year ended December 31, 2019</i>			
Overall refund rate	1.5%	33.7%	15.9%
Withdrawal refund rate	1.5%	10.0%	4.7%
No-pass refund rate	—	23.7%	9.3%
<i>For the year ended December 31, 2020</i>			
Overall refund rate	3.5%	50.0%	31.3%
Withdrawal refund rate	3.5%	14.9%	9.5%
No-pass refund rate	—	35.1%	19.4%
<i>For the year ended December 31, 2021</i>			
Overall refund rate	3.6%	73.3%	47.7%
Withdrawal refund rate	3.6%	14.8%	10.4%
No-pass refund rate	—	58.5%	36.0%
<i>For the six months ended June 30, 2022</i>			
Overall refund rate	4.2%	63.9%	33.2%
Withdrawal refund rate	4.2%	18.9%	10.4%
No-pass refund rate	—	45.0%	20.0%

The mathematical annual or interim refund rates in each period could be affected by, among others, the timing of the relevant written and interview examinations and the corresponding timing of course purchase, course delivery and release of results, as well as changes in our service offering mix in each period. As a result, the above refund rates appeared volatile during the Track Record Period, primarily due to our rapid business growth with diversified course offerings and the timing of classes, examinations and results release in each period. Notwithstanding the perceived volatility, we believe the above refund rates were not contradictory to our estimated refund rates, as our actual refund obligation had not materially deviated from our estimated refund obligation during the Track Record Period. We have determined the estimated refund rates with reference to historical refund rates, taking into consideration the period of time spanning from the commencement of the orders to the release of examination results. We ascertained the historical refund rates by tracking the course fees received and refunded of historical orders on an ongoing basis. The timing of refunds for orders initiated in a given period may be carried over to the next calendar year. At the end of each year, we would revisit the actual refunds of previous orders and compare them with the estimated refund rates to identify any material deviation and determine whether the estimated refund rates for the coming year should be adjusted. As such, we believe that the fluctuation of the mathematical annual or interim refund rates in each period would not jeopardize the reasonableness of the estimated refund rates we adopted.

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Specifically, the total overall refund rates increased from 15.9% in 2019 to 31.3% in 2020 and further to 47.7% in 2021, primarily due to the increase in the overall refund rates of contractual classes from 33.7% to 50.0% and further to 73.3% mainly driven by an increase in the no-pass refund rates, which was in turn because (1) the contractual classes we offered in 2019 were primarily relating to interview tests, the no-pass refund rates of which are relatively lower than those of the written tests due to the examination nature, while we launched written test contractual classes and fully refundable contractual classes in 2020 and 2021, and (2) a portion of the refunds for courses relating to the 2020 Regional Civil Servants Examinations were delayed and carried out in 2021 as the relevant examination cycles were postponed due to the COVID-19 outbreak. The total overall refund rates decreased to 33.2% in the six months ended June 30, 2022, primarily due to the decrease in the overall refund rate of contractual classes to 63.9% resulting from a decrease in the no-pass refund rate, which was in turn because the Regional Civil Servants Examinations originally scheduled in the first half of 2022 had been postponed to the second half, and accordingly the related actual no-pass refund requests had not been received by us in the six months ended June 30, 2022. According to the F&S Report, our overall refund rates were lower than our major market peer whose refund rates are publicly available.

The no-pass refund rates for our contractual classes increased from 23.7% in 2019 to 35.1% in 2020 and further to 58.5% in 2021, and subsequently decreased to 45.0% in the six months ended June 30, 2022, primarily for the reasons as discussed above.

During the Track Record Period, the withdrawal refund rates for our contractual classes were generally higher than that for our non-contractual classes, as the former were more expensive and, therefore, students were more likely to change their minds and drop classes after the purchase. The following table sets forth the withdrawal refund rates for our contractual and non-contractual classes by course type for the periods indicated.

	Year ended December 31,						Six months ended June 30,	
	2019		2020		2021		2022	
	Non-contractual classes	Contractual classes	Non-contractual classes	Contractual classes	Non-contractual classes	Contractual classes	Non-contractual classes	Contractual classes
Online tutoring	1.1%	10.3%	2.6%	28.2%	2.6%	14.2%	1.5%	11.4%
Classroom-based tutoring	2.8%	9.8%	4.8%	13.5%	5.4%	14.9%	10.7%	22.0%
Total	1.5%	10.0%	3.5%	14.9%	3.6%	14.8%	4.2%	18.9%

The withdrawal refund rates for our contractual classes increased from 10.0% in 2019 to 14.9% in 2020, primarily because we mainly provided contractual classes for interview tests on a limited scale in 2019. The withdrawal refund rates for our contractual classes increased from 14.8% in 2021 to 18.9% in the six months ended June 30, 2022, primarily because amid the regional resurgence of the COVID-19 pandemic in the first half of 2022, certain examinations were postponed, and we suspended our classroom-based tutoring services in certain localities. The withdrawal refund rates for our non-contractual classes increased from 1.5% in 2019 to 3.5% in 2020, primarily because we launched more relatively higher-priced courses, such as online premium courses, and remained relatively stable at 3.6% in 2021. The withdrawal refund rates for our non-contractual classes reached 4.2% in the six months ended June 30, 2022, primarily due to the regional resurgence of the COVID-19 pandemic in the first half of 2022.

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As for online tutoring courses, the withdrawal refund rates for non-contractual classes remained relatively stable during the Track Record Period. The withdrawal refund rates for online contractual classes increased from 10.3% in 2019 to 28.2% in 2020, primarily because the COVID-19 outbreak adversely affected the ability and willingness of students to take the relevant examinations, leading to an increasing number of withdrawals. After that, the withdrawal refund rates retreated and remained at a relatively stable level in 2021 and the six months ended June 30, 2022. As for classroom-based tutoring courses, the withdrawal refund rates for both non-contractual classes and contractual classes increased during the Track Record Period, primarily due to the impact of the COVID-19 pandemic, in particular the regional resurgence in the first half of 2022.

In addition, the refund rates for contractual classes in terms of paid enrollments, as calculated by dividing the number of paid enrollments for contractual classes with actual subsequent refunds in a given period by the number of paid enrollment for contractual classes in the same period, increased from 32.3% in 2019 to 43.6% in 2020 and further to 61.6% in 2021 for similar reasons as discussed above. The refund rates for contractual classes in terms of paid enrollments remained relatively stable at 52.7% and 53.6% in the six months ended June 30, 2021 and 2022, respectively. The refund rates for non-contractual classes in terms of paid enrollments, as calculated in the same way, were 1.3%, 2.0%, 2.9%, 3.2% and 5.0% in 2019, 2020, 2021 and the six months ended June 30, 2021 and 2022, respectively.

Current Income Tax Liabilities

Our current income tax liabilities primarily consisted of income tax payable. Our current income tax liabilities continuously increased from RMB19.3 million as of December 31, 2019 to RMB26.8 million as of June 30, 2022, primarily due to an increase in the profit generated from our sales of books during the Track Record Period.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity and Working Capital

Our primary use of cash is to fund the daily operations of our business. During the Track Record Period, we financed our capital expenditures and working capital requirements primarily with cash generated from our operating and financing activities. Going forward, we believe that our liquidity requirements will be satisfied with a combination of cash flows generated from our operating activities, net proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in the demand or market prices of our tutoring services, or a significant decrease in the availability of bank loans or other financing options may adversely impact our liquidity. As of December 31, 2019, 2020 and 2021 and June 30, 2022, we had cash and cash equivalents of RMB161.8 million, RMB332.7 million, RMB1,159.9 million and RMB1,253.5 million, respectively.

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Cash Flows

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

	Year ended December 31,			Six months ended June 30,	
	2019	2020	2021	2021	2022
	(RMB in thousands)				
	(Unaudited)				
Operating cash flows before					
movements in working capital . . .	229,572	(307,153)	(634,914)	(516,587)	233,492
Changes in working capital	219,042	765,703	(247,732)	244,805	(170,001)
Cash generated from/(used in)					
operations	448,614	458,550	(882,646)	(271,782)	63,491
Interest paid	(1,418)	(7,236)	(20,003)	(11,217)	(7,744)
Interest received	870	1,074	2,229	1,317	2,508
Income tax (paid)/received	(13,967)	6,737	(14,709)	(4,845)	(878)
Net cash generated from/(used in)					
operating activities	434,099	459,125	(915,129)	(286,527)	57,377
Net cash (used in)/generated from					
investing activities	(288,884)	(187,977)	156,516	(511,714)	25,440
Net cash (used in)/generated from					
financing activities	(90,726)	(100,281)	1,612,437	1,669,583	(49,895)
Net increase in cash and cash					
equivalents	54,489	170,867	853,824	871,342	32,922
Cash and cash equivalents at					
beginning of the year/period . . .	109,041	161,783	332,650	332,650	1,159,867
Exchange difference	(1,747)	—	(26,607)	(6,235)	60,740
Cash and cash equivalents at end of					
the year/period	<u>161,783</u>	<u>332,650</u>	<u>1,159,867</u>	<u>1,197,757</u>	<u>1,253,529</u>

Net cash generated from/(used in) operating activities

Our cash generated from operating activities was primarily related to course fees, which were typically paid in advance prior to the beginning of relevant courses, and to a lesser extent, the sales of in-house developed textbooks and learning materials. Our cash used in operating activities was primarily for employee benefit expenses associated with teaching staff and other costs, administrative expenses, selling and marketing expenses and research and development expenses.

In the six months ended June 30, 2022, our net cash generated from operating activities was RMB57.4 million, primarily attributable to our loss before tax of RMB361.2 million, adjusted for (1) certain non-cash and non-operating items, primarily including fair value losses on financial liabilities at fair value through profit or loss of RMB383.8 million, share-based payments of RMB83.2 million, and depreciation of right-of-use assets of RMB68.0 million, and (2) changes in working capital that negatively affected the cash flow, primarily including a decrease in trade and other payables of RMB145.6 million and an increase in contract assets of RMB39.9 million.

In 2021, our net cash used in operating activities was RMB915.1 million, primarily attributable to our loss before tax of RMB2,057.9 million, adjusted for (1) certain non-cash and non-operating items, primarily including fair value losses on financial liabilities at fair value through profit or loss of RMB583.0 million, share-based payments of RMB325.5 million, depreciation of right-of-use assets of RMB214.4 million, loss on settlement of financial liabilities at fair value through profit or loss of

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RMB212.8 million, and depreciation of property, plant and equipment of RMB78.0 million, and (2) changes in working capital that negatively affected the cash flow, primarily including payment for value previously recorded in equity relating to repurchase of employee share options of RMB113.0 million, a decrease in refund liabilities of RMB77.5 million, and an increase in trade receivables and prepayment and other receivables of RMB37.3 million.

In 2020, our net cash generated from operating activities was RMB459.1 million, primarily attributable to our loss before tax of RMB517.2 million, adjusted for (1) certain non-cash and non-operating items, primarily including share-based payments of RMB121.6 million and depreciation of right-of-use assets of RMB72.4 million, and (2) changes in working capital that positively affected the cash flow, primarily including an increase in contract liabilities and refund liabilities of RMB608.4 million and an increase in trade and other payables of RMB236.1 million, partially offset by (3) changes in working capital that negatively affected the cash flow, primarily including an increase in trade receivables and prepayment and other receivables of RMB57.6 million.

In 2019, our net cash generated from operating activities was RMB434.1 million, primarily attributable to our profit before tax of RMB184.0 million, adjusted for (1) certain non-cash and non-operating items, primarily including depreciation of right-of-use assets of RMB21.6 million and share-based payments of RMB21.2 million, and (2) changes in working capital that positively affected the cash flow, primarily including an increase in contract liabilities and refund liabilities of RMB181.1 million, and a decrease in inventories of RMB17.6 million.

Net cash (used in)/generated from investing activities

Our cash used in investing activities was primarily related to purchase of wealth management products and purchase of property, plant and equipment.

In the six months ended June 30, 2022, our net cash generated from investing activities was RMB25.4 million, primarily attributable to redemption of financial assets at fair value through profit or loss of RMB1,505.2 million, partially offset by purchases of financial assets at fair value through profit or loss of RMB1,490.0 million.

In 2021, our net cash generated from investing activities was RMB156.5 million, primarily attributable to the redemption of financial assets at fair value through profit or loss of RMB4,052.3 million, partially offset by purchases of financial assets at fair value through profit or loss of RMB3,691.3 million and purchase of property, plant and equipment of RMB219.0 million.

In 2020, our net cash used in investing activities was RMB188.0 million, primarily attributable to purchases of financial assets at fair value through profit or loss of RMB1,072.0 million and purchase of property, plant and equipment of RMB135.6 million, partially offset by the redemption of financial assets at fair value through profit or loss of RMB1,010.3 million.

In 2019, our net cash used in investing activities was RMB288.9 million, primarily attributable to purchases of financial assets at fair value through profit or loss of RMB745.6 million, partially offset by the redemption of financial assets at fair value through profit or loss of RMB470.3 million.

Net cash (used in)/generated from financing activities

Our cash used in financing activities was primarily related to lease payments, payment for the redemption of certain number of preferred shares and repayments of borrowing from the related parties. Our cash generated from financing activities was primarily related to proceeds from the equity financing.

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In the six months ended June 30, 2022, our net cash used in financing activities was RMB49.9 million, primarily attributable to payments for long-term leases of RMB49.0 million.

In 2021, our net cash generated from financing activities was RMB1,612.4 million, primarily attributable to proceeds of RMB2,525.4 million from our equity financing, partially offset by payment for the redemption of certain number of preferred shares of RMB754.3 million, and payments for long-term leases of RMB157.9 million.

In 2020, our net cash used in financing activities was RMB100.3 million, primarily attributable to payments for long-term leases of RMB100.3 million.

In 2019, our net cash used in financing activities was RMB90.7 million, primarily attributable to repayments of borrowing from the related parties of RMB68.6 million and payments for long-term leases of RMB22.2 million.

Working Capital

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

	As of December 31,			As of	As of
	2019	2020	2021	June 30, 2022	October 31, 2022
	(RMB in thousands)				
					(Unaudited)
CURRENT ASSETS					
Inventories	52,636	73,849	87,197	88,732	88,254
Trade receivables	4,740	7,522	5,656	18,205	28,637
Contract assets	—	—	20,528	60,160	7,858
Prepayment and other receivables	45,493	77,147	97,127	75,885	69,614
Financial assets at fair value through profit or loss	280,181	351,639	10,139	—	—
Cash and cash equivalents	161,783	332,650	1,159,867	1,253,529	1,162,531
Total current assets	544,833	842,807	1,380,514	1,496,511	1,356,894
CURRENT LIABILITIES					
Trade and other payables	76,453	312,528	313,360	167,808	150,666
Contract liabilities	109,314	156,103	169,194	157,618	137,381
Refund liabilities	196,103	757,752	680,293	685,002	320,723
Current income tax liabilities	19,333	20,439	22,164	26,782	29,356
Lease liabilities	26,456	128,752	167,784	106,778	94,043
Deferred tax liabilities	27	—	—	—	—
Financial liabilities at fair value through profit or loss	—	—	—	—	24,860
Total current liabilities	427,686	1,375,574	1,352,795	1,143,988	757,029
NET CURRENT ASSETS/ (LIABILITIES)	117,147	(532,767)	27,719	352,523	599,864

Our net current assets increased from RMB352.5 million as of June 30, 2022 to RMB599.9 million as of October 31, 2022, primarily due to a decrease in refund liabilities of RMB364.3 million as we had received and settled a substantial portion of the no-pass refund requests relating to the Regional Civil Servants Examinations following the examination results release.

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Our net current assets increased from RMB27.7 million as of December 31, 2021 to RMB352.5 million as of June 30, 2022, primarily due to an increase in cash and cash equivalents of RMB93.7 million as a result of our efforts in managing our growth and improving our profitability, a decrease in lease liabilities of RMB61.0 million in connection with the adjustment of our offline coverage, and an increase in contract assets of RMB39.6 million.

We had net current assets of RMB27.7 million as of December 31, 2021, compared to net current liabilities of RMB532.8 million as of December 31, 2020, primarily due to an increase in cash and cash equivalents of RMB827.2 million resulting from proceeds from the equity financing, which was completed in June 2021, and redemption of certain wealth management products in late 2021.

We had net current liabilities of RMB532.8 million as of December 31, 2020, compared to net current asset of RMB117.1 million as of December 31, 2019, primarily due to an increase in refund liabilities of RMB561.6 million as a result of increased paid enrollments of our contractual classes, an increase in trade and other payables of RMB236.1 million attributable to an increase in employee benefits payables along with the increased number of our employees, and an increase in lease liabilities of RMB102.3 million, partially offset by an increase in cash and cash equivalents of RMB170.9 million.

We intend to continue to finance our working capital with cash flows generated from our operating activities, net proceeds from the Global Offering and other funds raised from the capital markets from time to time. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

Taking into consideration of financial resources presently available to us, our Directors are of the view that our available cash and cash equivalents, wealth management products, anticipated cash flows from operations, and net proceeds from the Global Offering will be sufficient to meet our present and anticipated cash requirements for the next 12 months from the date of this prospectus. Based on review of financial and other due diligence documents, discussion with and confirmation from our Directors, the Joint Sponsors concur with our Directors' view.

CAPITAL EXPENDITURES AND COMMITMENTS

Capital Expenditures

Our capital expenditures primarily consisted of purchases of property, plant and equipment, and amounted to RMB13.1 million, RMB135.6 million, RMB219.0 million and RMB20.5 million, respectively, in 2019, 2020, 2021 and the six months ended June 30, 2022. We funded our capital expenditure requirements during the Track Record Period primarily through cash generated from our operating activities.

Capital Commitments

As of December 31, 2019, 2020 and 2021 and June 30, 2022, we did not have any significant capital commitments.

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INDEBTEDNESS

Our indebtedness during the Track Record Period primarily consisted of lease liabilities. The following table sets forth our lease liabilities as of the dates indicated.

	As of December 31,			As of	As of
	2019	2020	2021	June 30, 2022	October 31, 2022
	(RMB in thousands)				
					(Unaudited)
Lease liabilities, current	26,456	128,752	167,784	106,778	94,043
Lease liabilities, non-current	40,577	178,563	267,904	172,296	118,951
Total	67,033	307,315	435,688	279,074	212,994

In addition, we had unutilized banking facilities of RMB100 million as of October 31, 2022.

Save as disclosed above, as of October 31, 2022, being the latest practicable date for the purpose of the indebtedness statement, we had no bank loans or other borrowings, or any other loan capital issued and outstanding or agreed to be issued, bank overdrafts, borrowings or similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchases, guarantees or other material contingent liabilities. Our Directors confirm that there has not been any material change in our indebtedness since October 31, 2022.

CONTINGENT LIABILITIES

As of the Latest Practicable Date, we did not have any material contingent liability, guarantee or any litigation or claim of material importance, pending or threatened against any member of our Group.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

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

LISTING EXPENSES

We expect to incur a total of approximately RMB69.8 million of listing expenses in connection with the Global Offering, representing approximately 40.1% of the gross proceeds from the Global Offering (assuming an Offer Price of HK\$9.70, being the mid-point of the indicative Offer Price range between HK\$9.50 and HK\$9.90, and assuming that the Over-allotment Option is not exercised), which consist of (1) underwriting-related expenses (including but not limited to commissions and fees) of approximately RMB13.9 million, and (2) non-underwriting related expenses of approximately RMB55.9 million, including (i) fees and expenses of legal advisors and accountants of approximately RMB40.1 million and (ii) other fees and expenses of approximately RMB15.8 million. During the Track Record Period, we incurred listing expenses of approximately RMB33.9 million, out of which approximately RMB32.9 million was charged to our consolidated statements of profit or loss as administrative expenses, while the remaining amount of approximately RMB1.0 million directly attributable to the issuance of Shares will be deducted from equity upon the completion of the Global Offering. We expect to further incur listing expenses of approximately RMB35.9 million upon the completion of the Global Offering, out of which approximately RMB21.2 million is expected to be charged to our consolidated statements of profit or loss and approximately RMB14.7 million is expected to be deducted from equity. The listing expenses above are the best estimate as of the Latest Practicable Date and are for reference only. The actual amount may differ from this estimate.

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RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time during our ordinary course of business and on terms comparable to the terms of transactions with other entities that are not related parties. During the Track Record Period, we entered into a number of related party transactions. As of June 30, 2022, we had no non-trade balances with related parties. See Note 33 to the Accountant’s Report in Appendix I to this prospectus.

Our Directors are of the view that each of the related party transactions during the Track Record Period was conducted in the ordinary course of business on an arm’s length basis with reference to normal commercial terms, and would not distort our track record results or make our historical results not reflective of our future performance.

KEY FINANCIAL RATIOS

	As of/for the year ended December 31,			As of/ for the six months ended June 30, 2022
	2019	2020	2021	
Profitability ratios				
Gross profit margin ⁽¹⁾	46.2%	23.0%	24.5%	47.5%
Net profit/(loss) margin ⁽²⁾	13.3%	(22.7%)	(59.7%)	(27.0%)
Adjusted net profit/(loss) margin (non-IFRS measure) ⁽³⁾	15.1%	(17.0%)	(24.0%)	6.6%
Liquidity ratios				
Current ratio ⁽⁴⁾	1.3	0.6	1.0	1.3
Quick ratio ⁽⁵⁾	1.2	0.6	1.0	1.2

- (1) The calculation of gross profit margin is based on gross profit divided by revenue for the respective year/period and multiplied by 100.0%.
- (2) The calculation of net profit/loss margin is based on profit/loss for the year/period divided by revenue for the respective year and multiplied by 100.0%.
- (3) The calculation of adjusted net profit/loss margin (non-IFRS measure) is based on adjusted profit/loss divided by revenue for the respective year/period and multiplied by 100.0%.
- (4) The calculation of current ratio is based on current assets divided by current liabilities as of year/period end.
- (5) The calculation of quick ratio is based on current assets less inventories divided by current liabilities as of year/period end.

Analysis of Key Financial Ratios

Gross profit margin, net profit/loss margin, and adjusted net profit/loss margin (non-IFRS measure)

See “— Period to Period Comparison of Results of Operations” for a discussion of the factors affecting our gross profit margin, net profit/loss margin and adjusted net profit/loss margin (non-IFRS measure) during the Track Record Period.

Current ratio and quick ratio

Our current ratio decreased from 1.3 as of December 31, 2019 to 0.6 as of December 31, 2020, primarily due to an increase in refund liabilities as a result of increased paid enrollments of our contractual classes as we have launched an increasing number of contractual classes since 2020, and an increase in trade and other payables attributable to an increase in employee benefits payables along with the increased number of our employees. Our current ratio increased to 1.0 as of December 31, 2021, primarily due to an increase in cash and cash equivalents primarily attributable to proceeds from the equity financing, which was completed in June 2021, and redemption of certain wealth management products in late 2021. Our current ratio increased to 1.3 as of June 30, 2022, primarily due to an

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increase in cash and cash equivalents as a result of our efforts in managing our growth and improving our profitability, a decrease in lease liabilities in connection with the adjustment of our offline coverage, and an increase in contract assets.

Our quick ratio decreased from 1.2 as of December 31, 2019 to 0.6 as of December 31, 2020, primarily due to increases in refund liabilities and trade and other payables. Our quick ratio increased to 1.0 as of December 31, 2021, primarily due to an increase in cash and cash equivalents primarily attributable to proceeds from the equity financing, which was completed in June 2021, and redemption of certain wealth management products in late 2021. Our quick ratio increased to 1.2 as of June 30, 2022, primarily due to an increase in cash and cash equivalents as a result of our efforts in managing our growth and improving our profitability, a decrease in lease liabilities in connection with the adjustment of our offline coverage, and an increase in contract assets.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

Our principal financial instruments include cash and cash equivalents and financial assets at fair value through profit or loss, which primarily consisted of wealth management products. We have various other financial assets and liabilities such as trade receivables, prepayment and other receivables and trade and other payables. We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Our senior management is responsible for our risk management. We regularly monitor our risk exposure and currently have not used any derivative financial instruments to hedge any of these financial risks.

Our Directors reviewed and agreed policies for managing each of these risks as summarized below. For details of our financial risk management, see Note 3 to the Accountant's Report in Appendix I to this prospectus.

Market Risk

Foreign exchange risk

The functional currency of our subsidiaries in China is Renminbi, while the functional currency of our Company and subsidiaries outside China is US dollars. Foreign exchange risk arises from the fluctuation in exchange where our monetary assets are denominated in currency other than functional currency. We have continued to closely track and manage our exposure to fluctuations in foreign exchange rates for the majority of our Group's deposits in foreign currencies.

Interest rate risk

Our income and operating cash flows are substantially independent from changes in market interest rates.

Price risk

We are exposed to price risk in respect of financial assets at fair value through profit or loss held by us, which are carried at fair value with changes in the fair value recognized in profit or loss. To manage our price risk arising from investments, we diversify our portfolio in accordance with our internal limits. Each investment is managed by our senior management on a case-by-case basis.

For more details about our market risk, see Note 3.1(a) to the Accountant's Report in Appendix I to this prospectus.

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Credit Risk

Our credit risk is managed on a group basis. The credit risk of our financial assets, which mainly comprise cash and cash equivalents, contract assets, trade receivables, other receivables and lease receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

We assess the credit quality of the counterparties by taking into account their financial position, credit history, forward-looking information and other factors. Our management also monitors the recoverability of receivables and follow up the disputes or amounts overdue, if any. In addition, we regularly review the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts.

For more details about our credit risk, see Note 3.1(b) to the Accountant's Report in Appendix I to this prospectus.

Liquidity Risk

To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance our operation and mitigate the effects of fluctuations in cash flows.

For more details about our liquidity risk, see Note 3.1(c) to the Accountant's Report in Appendix I to this prospectus.

DIVIDEND

During the Track Record Period, we did not declare or pay any dividend. According to our dividend policy adopted on December 20, 2022, the Articles of Association and applicable laws and regulations, our Company in general meeting may from time to time by ordinary resolution declare dividends in any currency to be paid to the Shareholders but no dividend shall be declared in excess of the amount recommended by the Board, provided always that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. We currently do not have a pre-determined or fixed dividend payout ratio. We will continue to re-evaluate our dividend policy in light of our financial condition and the prevailing economic environment. The determination to pay dividends will be made at the discretion of our Directors and will depend upon, among others, the financial results, business conditions and strategies, future operations and earnings, capital and investment requirements, level of indebtedness, and other factors that our Directors deem relevant.

As advised by our Cayman legal advisors, under Cayman Islands law, a position of accumulated losses and net liabilities does not necessarily restrict our Company from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business.

DISTRIBUTABLE RESERVES

As of June 30, 2022, we had no reserve available for distribution to the Shareholders.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

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

FINANCIAL INFORMATION

COVID-19 OUTBREAK AND EFFECTS ON OUR BUSINESS

A novel strain of coronavirus, known as COVID-19, has severely affected China and many other countries. The PRC government has imposed quarantine measures across the country since late January 2020. Local governments have also imposed temporary restrictions or bans on passenger traffic to control the spread of the COVID-19. On January 30, 2020, the World Health Organization declared the outbreak of COVID-19 a Public Health Emergency of International Concern (PHEIC). On March 11, 2020, amid the escalating situation, the World Health Organization further characterized COVID-19 as a pandemic. With measures taken by the PRC government, there has been a significant decrease in the number of existing confirmed COVID-19 cases in China since mid-February 2020. The PRC government has gradually lifted domestic travel restrictions and other quarantine measures, and economic activities have begun to recover and return to normal nationwide during the second quarter of 2020 despite the recurrence of confirmed cases in various regions in China. Our Directors have carried out a holistic review of the impact of the COVID-19 on our operations and confirmed that as of the Latest Practicable Date, COVID-19 had not had any long-term material adverse impact on our operations based on the following grounds.

Impact on our Business and Financial Conditions

Since the outbreak of COVID-19, a series of precautionary and control measures have been implemented worldwide to contain the virus. Government efforts to contain the spread of the COVID-19 pandemic, including city lockdowns, “stay-at-home” orders, travel restrictions and emergency quarantines, have caused significant and unprecedented disruptions to the global and Chinese economy and normal business operations across various sectors, including our addressable markets. For example, during the Track Record Period and up to the Latest Practicable Date, over 60 major national and provincial recruitment and qualification examinations in China were postponed as a result of the COVID-19 outbreak, such as the 2020 Public Institution Employee Recruitment Examination of Guangdong Province and the 2021 National Civil Servants Examination, which required us to postpone relevant course delivery correspondingly, leading to delayed revenue recognition. In particular, in 2022, several recruitment and qualification examinations had been postponed for months compared to their original schedules. For example, the 2022 Multi-provincial Unified Civil Servants Examination, which involves more than 20 provinces, was delayed from March 2022 to July 2022. In addition, as a result of the regional resurgence of COVID-19 cases in China, certain municipal level teacher qualification and recruitment examinations originally scheduled in the first half of 2022 had been postponed to the second half, and certain municipal level teacher qualification examinations originally scheduled in October 2022 had tentatively been postponed to 2023. The 2023 National Civil Servants Examination originally scheduled in December 2022 has been postponed to January 2023. The 2023 Regional Civil Servants Examinations for Beijing City and Shandong Province originally scheduled in December 2022 were also postponed, with the new examination dates to be determined. On the other hand, several other examinations were held earlier than scheduled, such as certain Regional Civil Servants Examinations in 2021, which resulted in shortened service periods and lowered course fees we charged and, therefore, decreased revenue. Moreover, while we temporarily suspended our classroom-based tutoring courses resulting from the restrictions on offline activities during the outbreak, we continued to incur relevant employee benefit expenses and fixed cost and expenses relating to leased properties on which we operate our classroom-based tutoring services, which adversely affected our results of operations and profitability. Nevertheless, we were granted temporary deduction in the contribution of social insurance premiums for our employees according to relevant government relief policies during the COVID-19 outbreak. We also enjoyed rent concessions for one branch office. In addition, given the flexible model of our offline business, which is generally based on leased properties, we have from time to time adjusted the scale and location for our classroom facilities to mitigate the impact of COVID-19 outbreak on our offline operations.

FINANCIAL INFORMATION

Despite the short-term impact, we expect that our business will not be severely disrupted in the long run for the following reasons. The COVID-19 pandemic has been generally contained in China where we conduct our business. The Chinese government has gradually lifted domestic travel restrictions and other quarantine measures, and economic activities have generally recovered and returned to normal nationwide. Our offline operations have been gradually recovering as economic activities return to normal nationwide, despite the adverse impact on our offline operations in a few localities by the regional resurgence of the pandemic. Specifically, the total paid enrollments of our classroom-based tutoring courses continued to increase from 710,000 in 2020 to 836,000 in 2021, and the paid enrollments of our classroom-based formal courses continued to increase from 293,000 in 2020 to 398,000 in 2021, despite the impact of the COVID-19 outbreak. Although our classroom-based tutoring services were negatively affected by the regional resurgence of the COVID-19 pandemic in the first half of 2022, which led to the postponement of certain examinations, there has been a recovery of recruitment needs, according to the F&S Report. For example, the 2022 Multi-provincial Unified Civil Servants Examination was held in July 2022 without downsizing the hiring plans. Moreover, we can serve users with our online products and services, which we believe has, to a certain extent, mitigated the impact of the restrictions on offline activities caused by the outbreak. Furthermore, the COVID-19 outbreak has not materially and adversely affected the recruitment plans of various government-sponsored positions, as evidenced by an increasing number of government-sponsored positions offered since 2020, according to the F&S Report. China's non-formal VET industry, in terms of revenue, is expected to increase from RMB221.5 billion in 2021 to RMB331.7 billion in 2026 at a CAGR of 8.4%, according to the same source. As such, we believe that there is sustained demand for our tutoring services despite the COVID-19 outbreak. Our Directors confirmed that, as of the Latest Practicable Date, we had not incurred any major capital expenditure due to the negative impact of COVID-19 outbreak.

Impact on Our Operations

We began to provide classroom-based tutoring courses on a trial basis in April 2017. As mandated shutdowns went into effect across China in early 2020 when the COVID-19 outbreak peaked in China, we experienced nationwide suspension of our classroom-based tutoring courses from January 2020 to May 2020. We strategically launched our offline course offerings on a large-scale basis in May 2020, considering that by that time (1) we had established our prominent online presence with a massive user base, and had identified, after careful evaluation of market demand and competitive landscape, significant growth opportunities from the potential synergy of a OMO business model, and (2) the Chinese government had gradually lifted lockdown and quarantine measures with the spread of COVID-19 being effectively contained then, which led to a revival of offline tutoring activities. In addition to the nationwide suspension from January 2020 to May 2020, we from time to time experienced regional suspension of our classroom-based tutoring courses in over 100 cities across 29 provinces, municipalities, and autonomous regions due to the local resurgence of the pandemic, which lasted from several days to two to three months depending on the severity of the outbreak and local governmental policies. For example, our classroom-based tutoring courses were suspended across Jiangsu Province from July 2021 to September 2021, and across Shaanxi Province from December 2021 to January 2022. In addition, our classroom-based tutoring courses were suspended for approximately two weeks in certain cities in Yunnan Province during December 2021 and January 2022. Our business operations have not been materially and adversely affected by the resurgence of the pandemic in Shanghai City in 2022 as we have little offline tutoring service in operation there.

FINANCIAL INFORMATION

The following table sets forth the number of cities where we suspended our classroom-based tutoring services by duration in 2021 and 2022, respectively.

	2021	2022 ⁽¹⁾
Number of cities where we suspended classroom-based tutoring		
Within 30 days	30	1
30 to 60 days	55	19
60 to 90 days	5	44
Over 90 days	—	5
Total	90	69

(1) Since 2022 and up to the Latest Practicable Date.

The following table sets forth the number of cities where we suspended our classroom-based tutoring services and the average days of suspension of such affected cities by region in 2021 and 2022, respectively.

	2021		2022 ⁽¹⁾	
	Number of cities affected	Average days of suspension	Number of cities affected	Average days of suspension
Eastern China region	8	33	21	70
Northern China region	19	32	7	82
Southern China region	5	30	5	48
Northwestern China region	24	22	14	54
Northeastern China region	27	40	17	80
Southwestern China region	7	32	5	41

(1) Since 2022 and up to the Latest Practicable Date.

We generally provided online tutoring courses as a substitute. For example, we temporarily suspended our classroom-based tutoring courses in Jilin Province from March 2022 to May 2022 due to the recent regional resurgence of COVID-19 cases and provided online tutoring courses to the concerned students as a substitute. However, some students may withdraw from such courses instead of transferring to our online courses. As a result, the paid enrollments of our classroom-based tutoring courses grew slower than expected. We may continue to experience temporary closedown of individual local operational hubs and classrooms considering the uncertainties surrounding the current state and the future development of the COVID-19 outbreak.

Impact on Our Employees

In response to the COVID-19 pandemic, we have implemented an interim policy requiring our management members and employees to declare their recent travel history. Returnees from recent travels are required to work from home and should only return to office upon receiving further notice from us. We have adopted a flexible work arrangement, allowing our employees to work from home in specific localities as needed, such as Jilin Province and Shanghai City during the regional resurgence period in 2022, which may lead to changes to or suspension of certain employees' daily work. However, we believe that such flexible work arrangement would not materially disrupt our business.

FINANCIAL INFORMATION

Impact on Our Supply Chain

Our suppliers primarily include suppliers for paper, third-party vendors for human resource services, printing services, logistics services, information technology services, marketing services and hotel services, as well as lessors of the premises we occupy for our classroom-based tutoring. As of the Latest Practicable Date, we had not experienced any major supply disruption.

Our Precautionary Measures and Social Responsibility

We took various precautionary measures to maintain a hygienic working environment and ensure the safety for our employees and students, such as adopting COVID-19 disinfecting techniques in our offline offices and classroom facilities, distributing masks to employees, and implementing internal reporting system. In addition, we are committed to fulfilling our corporate social responsibility and creating stronger communities amid the COVID-19 pandemic, including making donations.

However, we cannot be entirely certain as to when the COVID-19 pandemic will be fully contained, and its impact will be completely alleviated. Any prolonged outbreak may adversely affect our business and financial performance. There remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic, considering the severe global situation and the recent regional resurgence of COVID-19 cases in China. Should there be an escalation of the spread, China may again take strict emergency measures in response, including travel restrictions, mandatory cessations of offline business operations, mandatory quarantines, work-from-home and other alternative working arrangements, and limitations on social and public gatherings and lockdowns of cities or regions, which may impact our business. We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact on our business, results of operations and financial condition. See “Risk Factors — Risks Relating to Our Business and Industry — Our business and operations have been, and may continue to be, adversely affected by the COVID-19 pandemic.”

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial, operating or trading conditions since June 30, 2022, being the end of the period reported in the Accountant’s Report in Appendix I to this prospectus, and there is no event since June 30, 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountant’s Report in Appendix I to this prospectus.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets have been prepared in accordance with Rule 4.29 of the Listing Rules and are set out here to illustrate the effect of the Global Offering on our consolidated net tangible liabilities as of June 30, 2022 as if it had taken place on that date. No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions we entered into after June 30, 2022.

Our unaudited pro forma adjusted consolidated net tangible assets have been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets had the Global Offering been completed as of June 30, 2022 or any future date.

	Audited consolidated net tangible liabilities attributable to the owners of our Company as of June 30, 2022 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Estimated impact related to the changes of terms of convertible redeemable shares upon the Listing ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company per Share	
					RMB ⁽⁴⁾	HK\$ ⁽⁵⁾
		(RMB in thousands)				
Based on an Offer Price of HK\$9.50 per Share	(8,939,323)	133,877	9,614,491	809,045	0.39	0.43
Based on an Offer Price of HK\$9.90 per Share	(8,939,323)	140,479	9,614,491	815,647	0.39	0.43

- (1) Our audited consolidated net tangible liabilities attributable to the owners of our Company as of June 30, 2022 are extracted from the Accountant's Report in Appendix I to this prospectus, which is based on the audited consolidated net liabilities attributable to the owners of our Company as of June 30, 2022 of RMB8,938.5 million, with an adjustment for intangible assets of RMB0.9 million as of June 30, 2022.
- (2) The estimated net proceeds from the Global Offering is based on the Offer Price of HK\$9.50 and HK\$9.90 per Share, being the lower end and higher end of the indicative Offer Price range, respectively, after deduction of the estimated underwriting fees and other related expenses payable by our Company (excluding RMB32.9 million which had been charged to the consolidated statements of comprehensive income up to June 30, 2022) and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.
- (3) Upon the Listing and the completion of the Global Offering, all the preferred shares will be automatically converted into ordinary shares. These preferred shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of our Company will increase by RMB9,614.5 million, being the carrying amounts of the preferred shares as of June 30, 2022.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are arrived after adjustments referred to in note (2) and on the basis that 2,097,308,000 Shares were in issue immediately upon completion of the Global Offering (without taking into account of any Shares which may be allotted and issued upon exercise of the Over-allotment Option), which is assumed to be on June 30, 2022 for the purpose of the pro forma financial information.
- (5) The unaudited pro forma adjusted consolidated net tangible assets per Share are converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.8973 prevailing on December 16, 2022. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2022.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Growth Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering, after deducting the estimated underwriting commissions and other fees and expenses in connection with the Global Offering, will be approximately HK\$116.2 million, assuming the Offer Price is fixed at HK\$9.70 per Share (being the mid-point of the indicative range of the Offer Price of HK\$9.50 to HK\$9.90 per Share), and the non-exercise of the Over-allotment Option.

We currently intend to use the net proceeds of the Global Offering for the purposes and in the amounts as set out below.

	Year ending December 31,		Total
	2023	2024	
	(HK\$ in millions)		
Enriching our course offerings and expanding our student base	23.6	36.8	60.4
For online services	21.9	34.5	56.4
For classroom-based services	1.7	2.3	4.0
Enhancing our content and technological development capabilities (group-wide for both online and classroom-based services)	11.7	21.4	33.1
Conducting marketing campaigns primarily for our newly developed courses (group-wide for both online and classroom-based services)	7.0	7.0	14.0
Working capital and other general corporate purposes (group-wide for both online and classroom-based services)	4.3	4.4	8.7
Total	46.6	69.6	116.2

The basis and details of our estimated use of the net proceeds are set out as below.

- approximately 52.0% of the net proceeds, or HK\$60.4 million, to enrich our course offerings and expand our student base:
 - (1) approximately 29.1% of the net proceeds, or HK\$33.8 million, to enhance and upgrade our existing online course offerings, especially online teacher qualification and recruitment tutoring courses and graduate school entrance examination preparation courses. We currently expect to utilize approximately 45% and 55% of the foregoing net proceeds in 2023 and 2024, respectively. Specifically, we plan to recruit more qualified instructors and other teaching staff who possess requisite knowledge and skills in such course subjects and are well-experienced in delivering large-class courses in a live format.

In particular, we plan to recruit an aggregate of approximately 15 employees in 2023 and 2024 for online teacher qualification and recruitment tutoring courses, including (i) approximately five employees responsible for the design and optimization of question banks, (ii) approximately five employees responsible for the development and improvement of related course materials, and (iii) approximately five employees responsible for targeted sales and marketing. The annual salary for such personnel generally ranges from RMB150,000 to RMB200,000. We also plan to recruit an aggregate of approximately 80 employees in 2023 and 2024 for online graduate school

FUTURE PLANS AND USE OF PROCEEDS

entrance examination preparation courses, including (i) approximately 40 employees responsible for course delivery and operational support, and (ii) approximately 40 employees responsible for the design and optimization of question banks. The annual salary for such personnel is estimated to be approximately RMB110,000.

Teacher qualification and recruitment tutoring courses and graduate school entrance examination preparation courses are relatively new additions to our course offerings with less teaching staff compared to our civil servants examination tutoring courses. However, demand for tutoring services of these two subjects are expected to grow rapidly in the future. To capitalize on the significant market opportunities, we plan to recruit additional personnel specialized on these subjects from time to time over the next two years based on thorough market demand analysis.

That being said, we will consider implementing our potential recruitment plan in a prudent manner. Specifically, we will closely monitor the level of our paid enrollments as well as the recruitment plans of various government-sponsored positions and the related examination schedules to assess market demand. We will also evaluate the utilization level of our existing employees, especially teaching staff, with reference to metrics including the ratio of paid enrollments per instructor, the average revenue per instructor, and the number of class hours they may duly deliver, taking into consideration other factors, including the preparation time for each class, the teaching quality, the schedule of relevant examinations, and the capacity an instructor needs to set aside for content development activities. Moreover, we have prioritized and will continue to prioritize increasing the utilization rate of existing teaching staff over recruiting additional teaching staff. Specifically, we have begun to carry out, and will reinforce our efforts in, inter-disciplinary training to strategically cultivate instructors capable of teaching multiple course subjects and delivering both written test and interview test courses to further improve the capacity and productivity of our teaching staff. For newly recruited teaching staff, we will also conduct such inter-disciplinary training and, more importantly, cultivate their ability to deliver both online and offline courses to enable more flexible instructor staffing to accommodate our business growth without incurring excessive costs and expenses.

- (2) approximately 22.9% of the net proceeds, or HK\$26.6 million, to develop and launch vocational skill training courses in high demand and with significant growth potential. We currently expect to utilize approximately 35% and 65% of the foregoing net proceeds in 2023 and 2024, respectively. According to the F&S Report, vocational skill training is an important segment of non-formal VET, accounting for 68.8% of the market size of China's non-formal VET industry in terms of revenue in 2021. Driven by favorable policies to cultivate skilled personnel and encourage the development of vocational skill training, China's vocational skill training industry, in terms of revenue, is expected to increase from RMB152.4 billion in 2021 to RMB221.5 billion in 2026 at a CAGR of 7.8%. In addition, given the fierce competition in the job market, a growing number of China's adult students are expected to participate in vocational skill training to enhance their practice skills so as to increase their chances of obtaining requisite vocational skill qualifications and securing preferred jobs. The unique student enrollments of China's vocational skill training industry are expected to increase from 20.6 million in 2021 to 24.3 million in 2026 at a CAGR of 3.4%, according to the same source. On the other hand, China's vocational skill training is highly fragmented, and the penetration rate of long-term systematic vocational skills training services is generally lower than that of career test preparation services. As such, we believe that by leveraging our extensive experience in China's career test preparation industry, our established Fenbi online platform and our well-recognized brand among China's adult students, we are well positioned to capture the demands in the underserved vocational skill training industry and enlarge our market share.

We currently plan to launch online information technology courses and online and classroom-based culinary art courses. Driven by the rapid development of information technology industry and the emergence of new technologies and applications across

FUTURE PLANS AND USE OF PROCEEDS

various industry verticals, enterprises generally have evolving demands for professional talents with advanced technical skills covering various fields. As a result, information technology tutoring has shown a positive growth trend, according to the F&S Report. Moreover, we believe that information technology tutoring shares the same student base as the recruitment examination tutoring as they both target the adult students with higher education background and aspiration to achieve a white-collar level compensation and social status. As such, we can leverage our massive user base and realize cross-selling opportunities. As for the culinary art courses, we consider that such tutoring service has high demand and significant growth potential. According to the F&S Report, the growing per capita consumption expenditure on food, the increasingly popular dining out culture and fast-paced lifestyle, various upgrades in terms of cuisine dishes, flavors and service models, and the development of cooking technology and restaurant management have led to the catering industry's flourishing and accordingly, the increased demand for culinary art professionals. Driven by government support and the satisfactory salary level of professional cooks, an increasing number of adult students are expected to participate in culinary art tutoring. We plan to provide advanced culinary art courses featuring know-how of nutritional science and weight control via a dietary approach, which requires more in-depth and diversified knowledge than training of traditional culinary art. We believe that our vocational skill training courses will allow us to appeal to a broader student base and add more value to the skills of our students, differentiating them in the job market for greater earning power.

To that end, we plan to assemble a team of instructors and other teaching staff well-versed in the respective areas, and cultivate our course offerings and content development capability for such subjects. We tentatively intend to recruit approximately 15 employees in 2023 and 2024, responsible for course delivery, operational support, and sales and marketing in relation to our contemplated online and classroom-based culinary art tutoring services, among which approximately 10 and five employees will be responsible for online and classroom-based culinary art tutoring services, respectively. We also plan to recruit approximately 10 employees in 2023 and 2024, responsible for course delivery, operational support, and sales and marketing in relation to our contemplated online information technology tutoring services. Based on our current estimation, the annual salary for instructors in relation to information technology and culinary art tutoring services generally ranges from approximately RMB140,000 to approximately RMB600,000, the annual salary for related operational support staff generally ranges from RMB96,000 to RMB180,000, and the annual salary for related sales and marketing employees is estimated to be approximately RMB240,000.

Specifically, we intend to incur approximately HK\$17.1 million for our contemplated online and classroom-based culinary art tutoring services, including approximately 60% for employee compensation, approximately 25% for course materials, such as cooking ingredients, approximately 10% for rental and classroom renovation, and approximately 5% for classroom consumables. In particular, approximately 75% of the net proceeds for contemplated culinary art tutoring services will be used for online courses, while approximately 25% will be used for classroom-based courses. We currently expect to establish one operational hub in a first- or second-tier city in Yangtze River Delta region, Pearl River Delta region or Sichuan Basin and set up classrooms on leased properties with appropriate facilities and equipment to deliver classroom-based culinary art tutoring courses. We expect to equip the classroom facilities for culinary art tutoring courses with water, gas and electric utilities, ventilation systems and other appliances and kitchenware to establish a safe and sanitized learning environment. The facilities required for culinary art tutoring courses are substantially different from those set up by the existing operational hubs for career test preparation courses, which are typically equipped with classroom desks and chairs, blackboards and/or projectors and

FUTURE PLANS AND USE OF PROCEEDS

screens. We also expect to incur approximately HK\$9.5 million for our contemplated online information technology tutoring services, including approximately 75% for employee compensation, and approximately 25% for course materials.

We will launch vocational skill training courses as elaborated above in a prudent manner. Specifically, we will launch new courses on a trial basis for the first few months to fully assess the market demand. We will conduct quarterly review of the market acceptance of such new courses and adjust our course launch schedule and recruitment plan accordingly.

- approximately 28.5% of the net proceeds, or HK\$33.1 million, to enhance our content and technological development capabilities to support both our online and classroom-based service offerings:
 - (1) approximately 23.3% of the net proceeds, or HK\$27.1 million, to enhance our technological development capability and improve our technology and infrastructure. We plan to use approximately HK\$4.3 million to advance our in-house developed RTC video system with new and more interactive features with a view to boost student's learning effectiveness and improve their learning experience. We also plan to use approximately HK\$4.5 million to improve and optimize the audio and video streaming technologies underlying our RTC system to enable more stable and immersive online learning experience for our students. In addition, we will use approximately HK\$7.1 million to promote business intelligence and analytics by refining our data analytics and AI technologies and expanding their applications in our daily operations, such as launching more targeted courses and products, facilitating the iteration and integration of online and offline course offerings, and directing our geographical expansion efforts. Furthermore, we aim to use approximately HK\$6.7 million to explore the application of other cutting-edge technologies, such as virtual reality and augmented reality, to upgrade the existing features of our learning toolkits and develop new ones. By doing so, we expect to further enhance student engagement and improve learning outcomes for our students. We also plan to use approximately HK\$4.5 million to develop in-house an online interview system featuring advanced voice recognition technology, which can be used to deliver our interview courses to a broader student base and enable students to easily practice interview questions on our platform.

The following table sets forth the details of our estimated use of the net proceeds for enhancing our technological development capabilities based on our current estimation.

	Year ending December 31,		Total
	2023	2024	
	(HK\$ in millions)		
Upgrade of RTC video system	1.7	2.6	4.3
Optimization of audio and video streaming technologies	1.8	2.7	4.5
Application of data analytics and AI technologies.	2.7	4.4	7.1
Development of virtual reality and augmented reality technologies	2.2	4.5	6.7
Launch of online interview system	1.8	2.7	4.5
Total	10.2	16.9	27.1

FUTURE PLANS AND USE OF PROCEEDS

To achieve these goals, we intend to recruit top-notch industry talents, including industry-leading researchers and engineers, as well as graduates from top institutions. We will also continue to invest in our technology infrastructure to accommodate the rapid expansion of our business.

- (2) approximately 5.2% of the net proceeds, or HK\$6.0 million, to strengthen our content development capabilities by recruiting more experienced content development personnel. Based on our current estimation, we plan to recruit approximately five employees in 2023 and 2024 with an annual salary of approximately RMB68,000. We currently expect to utilize approximately 25% and 75% of the foregoing net proceeds in 2023 and 2024, respectively. We plan to refine our existing course curricula and course materials, develop new ones in connection with the launch of new courses, and optimize our centralized content development system.
- approximately 12.0% of the net proceeds, or HK\$14.0 million, to conduct marketing campaigns primarily for our newly developed online and classroom-based courses by placing advertisements through various channels and organizing promotional events. We currently expect to utilize approximately 50% and 50% of the foregoing net proceeds in 2023 and 2024, respectively; and
- approximately 7.5% of the net proceeds, or approximately HK\$8.7 million, for working capital and general corporate purposes. We currently expect to utilize approximately 50% and 50% of the foregoing net proceeds in 2023 and 2024, respectively.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed below or above the mid-point of the indicative price range. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. In the event that the Over-allotment Option is exercised in full, we will receive net proceeds of HK\$142.9 million (after deducting the estimated underwriting commissions and other fees and expenses in connection with the Global Offering and assuming an Offer Price of HK\$9.70 per Share, being the mid-point of the indicative Offer Price range).

To the extent that the net proceeds are not immediately applied to the above purposes or if we are unable to put into effect any part of our development plan as intended, we will only deposit the net proceeds into short-term deposits in licensed banks or other authorized financial institutions (as defined under the Securities and Futures Ordinance or the applicable laws in the PRC).

UNDERWRITING

HONG KONG UNDERWRITERS

(in no particular order)

Citigroup Global Markets Asia Limited
China International Capital Corporation Hong Kong Securities Limited
Merrill Lynch (Asia Pacific) Limited
Haitong International Securities Company Limited
BOCOM International Securities Limited
China Merchants Securities (HK) Co., Limited
CMB International Capital Limited
CRIC Securities Company Limited
CSFG International Securities Limited
Futu Securities International (Hong Kong) Limited
ICBC International Securities Limited
Macquarie Capital Limited
Maxa Capital Limited
Soochow Securities International Brokerage Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The Company expects the International Offering to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 2,000,000 Hong Kong Offer Shares and the International Offering of initially 18,000,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in “Structure of the Global Offering” in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, the Company is offering the Hong Kong Offer Shares for subscription on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued or sold pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the Pre-IPO Share Option Scheme, on the Main Board of the Stock Exchange and such approval not having been withdrawn and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the Hong Kong Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the **GREEN** Application Form and the Hong Kong Underwriting Agreement.

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The Hong Kong Underwriting Agreement is conditional on, among other things, the International Underwriting Agreement having been executed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Sponsors and the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may in their sole and absolute discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect if at any time prior to 8:00 a.m. on the Listing Date:

- (i) there develops, occurs, exists or comes into force:
 - (a) any event/circumstance, or series of events/circumstances, in the nature of force majeure (including, without limitation, any acts of government, declaration of a local, national, regional or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation, mutation or aggravation of diseases (including, without limitation, COVID-19 and Severe Acute Respiratory Syndrome (SARS), MERS, H5N1, H1N1, H7N9, swine or avian influenza, Ebola virus, Middle East respiratory syndrome or such related/mutated forms, interruption or delay in transportation, outbreak, escalation, mutation or aggravation of disease), economic sanctions, withdrawal of trading status or privileges, strikes, labour disputes, lock-outs, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, civil commotion, calamity, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed), economic sanctions, paralysis in government operations, interruptions or delay in transportation) in or affecting the Cayman Islands, Hong Kong, the PRC, the United States, the United Kingdom, Japan, Singapore, Switzerland, the European Union (or any member thereof) or any other jurisdiction relevant to the Group (each a “**Relevant Jurisdiction**” and collectively, the “**Relevant Jurisdictions**”);
 - (b) any change or development involving a prospective change, or any event or circumstances or series of events likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions, equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets), in or affecting any of the Relevant Jurisdictions;
 - (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Singapore Stock Exchange or the Tokyo Stock Exchange;
 - (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at the U.S. Federal or New York State level or by any other competent Authority), London, the PRC, the European Union (or any member thereof) or any of the other Relevant Jurisdictions (declared by the relevant

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- Authorities) or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any of the Relevant Jurisdictions;
- (e) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or any competent authority in or affecting any of the Relevant Jurisdictions;
 - (f) the imposition of economic sanctions, or the withdrawal of trading privileges which existed on the date of the Hong Kong Underwriting Agreement, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions;
 - (g) any change or development involving a prospective change or amendment in or affecting taxation or foreign exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the United States dollar, the Hong Kong dollar, RMB, Euro, British pound or Swiss Franc against any foreign currencies, a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or RMB is linked to any foreign currency or currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions or affecting an investment in the Offer Shares;
 - (h) other than with the prior written consent of the Joint Sponsors and the Joint Overall Coordinators, the issue or requirement to issue by the Company of a supplement or amendment to this prospectus, the **GREEN** Application Form, the preliminary offering circular, the final offering circular or other documents in connection with the offer and sale of the Offer Shares pursuant to the Companies (WUMP) Ordinance or the Listing Rules or upon any requirement or request of the Stock Exchange and/or the SFC;
 - (i) any demand by creditors for repayment of indebtedness or an order or petition for the winding up or liquidation of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group;
 - (j) any litigation, dispute, legal action or claim or regulatory or administrative investigation or action being threatened, instigated or announced against any member of the Group or any Director;
 - (k) any contravention by any member of the Group or any Director of any applicable laws and regulations or the Listing Rules;
 - (l) any non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws and regulations; or
 - (m) any change or prospective change or development, or a materialization of, any of the risks set out in section headed “Risk Factors” in this prospectus,

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which, individually or in the aggregate, in the sole and absolute opinion of the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

- (a) has or will or may have a material adverse effect on the assets, liabilities, general affairs, business, management, prospects, shareholder's equity, profit, losses, earnings, results of operations, performance, position or condition (financial, trading or otherwise), of the Group as a whole or to any present or prospective shareholder of the Company in its capacity as such;
 - (b) has or will have or may have a material adverse effect on the success or marketability of the Global Offering or the level of applications or the distribution of the Offer Shares under the Hong Kong Public Offering or the level of interest under the International Offering;
 - (c) makes or will make or is likely to make it inadvisable, inexpedient, impracticable or incapable for the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or the delivery or distribution of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or
 - (d) has or will or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (ii) there has come to the notice of the Joint Sponsors and/or the Joint Overall Coordinators that:
- (a) any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) and/or any notices, announcements, advertisements, communications or other documents (including any announcement, circular, document or other communication pursuant to the Hong Kong Underwriting Agreement) issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto but excluding information relating to the Underwriters) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respects or misleading or deceptive, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and based on reasonable grounds or reasonable assumptions;
 - (b) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement);
 - (c) there is a breach of, or any event or circumstance rendering untrue, incorrect, incomplete or misleading in any respect, any of the warranties given by the Company or any of the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (including any supplement or amendment thereto), as applicable;
 - (d) there is a breach of any of the obligations imposed upon the Company or any of the Controlling Shareholders under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;

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- (e) there is an event, act or omission which gives or is likely to give rise to any liability of the Company or any of the Controlling Shareholders pursuant to the indemnities given by any of them under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable;
- (f) there is any material adverse change or likely to be any prospective material adverse change;
- (g) the approval of the Stock Exchange the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) is refused or not granted, other than subject to customary conditions, on or before the date of the Listing, or if granted, the approval is subsequently withdrawn, cancelled, qualified (other than by customary conditions), revoked or withheld;
- (h) any person (other than any of the Joint Sponsors) has withdrawn its consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears;
- (i) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering;
- (j) there is a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering;
- (k) any Director or any member of senior management of the Company is vacating his or her office;
- (l) any Director or member of senior management of the Company is being charged with an indictable offence or is prohibited by operation of law or otherwise disqualified from taking part in the management of a company or there is the commencement by any governmental, political or regulatory body or organization of any investigation or other action against any Director or member of senior management of the Company in his or her capacity as such or any member of the Group or an announcement by any such governmental, political or regulatory body or organization that it intends to commence any such investigation or take any such action;
- (m) there is any order or petition for the winding-up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (n) a material portion of the orders placed or confirmed in the bookbuilding process, have been withdrawn, terminated or cancelled.

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Undertakings to the Stock Exchange Pursuant to the Listing Rules

Undertakings by the Company

Pursuant to Rule 10.08 of the Listing Rules, the Company has undertaken to the Stock Exchange that it will not, at any time within six months from the Listing Date, issue any further Shares or other securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement or arrangement to issue any Shares or such other securities (whether or not such issue of the Shares or such other securities will be completed within six months from the Listing Date), except pursuant to the Global Offering and the exercise of the Over-allotment Option or under any of the circumstances permitted under Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to the Company that, except pursuant to the Global Offering (including pursuant to the Stock Borrowing Agreement) or the Over-allotment Option, he or it will not (and will procure that the relevant registered holder(s) will not):

- (i) at any time during the period commencing on the date by reference to which disclosure of his or its shareholding in the Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he or it is shown by this prospectus to be the beneficial owner; or
- (ii) at any time during the period of six months commencing on the date on which the period referred to in the above paragraph (i) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (i) above, if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it will, directly or indirectly cease to be a Controlling Shareholder.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and to the Company that, within the period commencing on the date by reference to which disclosure of his or its shareholding in the Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he or it will:

- (i) when he or it pledges or charges any Shares or other securities beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules for a bona fide commercial loan, immediately inform the Company of such pledge or charge together with the number of the Shares or securities so pledged or charged; and
- (ii) when he or it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares or securities will be disposed of, immediately inform the Company of such indications.

The Company will inform the Stock Exchange as soon as it has been informed of the matters referred to in paragraphs (i) and (ii) above (if any) by any of the Controlling Shareholders and, subject to the then requirements of the Listing Rules, disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

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Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by the Company

The Company has undertaken to the Joint Sponsors, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries, the Hong Kong Underwriters and each of them not to, and to procure each other member of the Group not to (save for (a) the issue, offer or sale of the Offer Shares by the Company pursuant to the Global Offering, including pursuant to any exercise of the Over-allotment Option or (b) the issue of Shares by the Company pursuant to the Pre-IPO Share Option Scheme), without the prior written consent of the Joint Sponsors and the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the last date of the six months after the Listing Date (the “First Six-Month Period”):

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, assign, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in the Shares or any other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares or other securities of the Company), or deposit any Shares or other securities of the Company, with a depository in connection with the issue of depository receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or
- (iv) offer to or contract to or agree to announce, or publicly disclose that the Company will or may enter into any such transaction described in paragraphs (i), (ii) or (iii) above,

in each case, whether any such transaction described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of the Company, in cash or otherwise (whether or not the issue of such Shares or other securities of the Company will be completed within the First Six-Month Period).

In the event that, at any time during the period of six months immediately following the expiration of the First Six-Month Period (the “Second Six-Month Period”), the Company enters into any of the transactions specified above or offers or agrees or contracts to, or announces, or publicly discloses, any intention to, enter into any such transactions, the Company will take all reasonable steps to ensure that it will not create a disorderly or false market in the Shares or other securities of the Company. Each of the Controlling Shareholders has undertaken to each of the Joint Sponsors, the Joint

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Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters to procure the Company to comply with the undertakings.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders has jointly and severally undertaken to the Company, the Joint Sponsors, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that, except as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) and the Stock Borrowing Agreement, without the prior written consent of the Joint Sponsors and the Joint Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (i) during the First Six-Month Period, none of them will, and each of them will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him or it and the companies controlled by him or it and/or entities which entrusted him or it to exercise their voting rights will not:
 - (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of the Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing) beneficially owned by it as at the Listing Date (the “Locked-up Securities”), or deposit any Shares or other securities of the Company with a depository in connection with the issue of depository receipts; or
 - (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of, any Locked-up Securities; or
 - (c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) or (b) above; or
 - (d) offer to or contract to or agree to or publicly disclose that any of the Controlling Shareholders will or may enter into any transaction described in paragraphs (a), (b) or (c) above,

in each case, whether any such transaction described in paragraphs (i)(a), (i)(b) or (i)(c) above is to be settled by delivery of such Shares or other securities of the Company, in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period); during the Second Six-Month Period, none of the Controlling Shareholders will enter into any transaction described in paragraphs (i)(a), (i)(b) or (i)(c) above or offer, agree or contract to or publicly announce any intention to enter into any such transaction, if, immediately following such transaction, the Controlling Shareholders will cease to be a controlling shareholder (as the term is defined in the Listing Rules) of the Company;

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- (ii) at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling 12 months after the Listing Date, each of the Controlling Shareholders will:
 - (a) if and when any of them or the relevant registered holder(s) pledges or charges any Shares or other securities of the Company beneficially owned by it/him, immediately inform the Company, the Joint Sponsors and the Joint Overall Coordinators in writing of such pledge or charge together with the number of Shares or other securities (or interests therein) of the Company so pledged or charged;
 - (b) if and when it/he or the relevant registered holder(s) receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or other securities (or interests therein) of the Company will be disposed of, immediately inform the Company, the Joint Sponsors and the Joint Overall Coordinators in writing of such indications; and
- (iii) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in paragraphs (i)(a), (i)(b) or (i)(c) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of the Company.

The Company has undertaken to the Joint Sponsors, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Capital Market Intermediaries and the Hong Kong Underwriters that upon receiving such information in writing from any of the Controlling Shareholders, it will, as soon as practicable and if required pursuant to the Listing Rules, notify the Stock Exchange and make a public disclosure in relation to such information by way of an announcement.

The restrictions in the lock-up undertakings by the Controlling Shareholders do not apply to any pledge or charge of any Shares or other equity securities of the Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of the Company) after the Global Offering in favor of an authorized institution as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, or transfer to a wholly owned subsidiary of any of the Controlling Shareholders, provided that, prior to such transfer, such wholly owned subsidiary shall give a written undertaking (addressed to the Company, the Joint Sponsors and the Joint Overall Coordinators) agreeing to also be bound by the restrictions in the lock-up undertakings by the Controlling Shareholders.

Hong Kong Underwriters' Interests in the Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of the Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, the Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters on or around the Price Determination Date. Under the International Underwriting Agreement and subject to the Over-allotment

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Option, the International Underwriters would, subject to certain conditions set out therein, agree severally but not jointly to procure subscribers for, or themselves to subscribe for, their respective applicable proportions of the International Offer Shares initially being offered pursuant to the International Offering. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors should note that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. See “Structure of the Global Offering — The International Offering.”

Over-allotment Option

The Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Overall Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, pursuant to which the Company may be required to issue up to an aggregate of 3,000,000 Shares, representing not more than 15% of the number of Offer Shares initially available under the Global Offering, at the Offer Price, to cover over-allocations in the International Offering, if any. See “Structure of the Global Offering — Over-allotment Option.”

Commissions and Expenses

An aggregate of the fees of up to 8.0% of gross proceeds to be raised from the subscription tranche and the placing tranche (including proceeds from any shares issued or sold pursuant to the Over-allotment Option) of the Global Offering is payable by the Company to all syndicate members participating in the Global Offering, among which the syndicate members (i) will receive a fixed underwriting commission which is equal to 4.5% of the aggregate gross proceeds to be raised from the Global Offering (including proceeds from any shares issued or sold pursuant to the Over-allotment Option) (the “Fixed Fee”), out of which they will pay any sub-underwriting commissions and other fees, and (ii) may receive a discretionary incentive fee of up to 3.5% of the aggregate gross proceeds to be raised from the Global Offering (including proceeds from any shares issued or sold pursuant to the Over-allotment Option) (the “Incentive Fee”).

The ratio of the Fixed Fee and Incentive Fee payable by the Company to all syndicate members is expected to be approximately 56:44 (assuming the Incentive Fee will be paid in full).

For any unsubscribed Hong Kong Offer Shares reallocated to the International Offering, the Fixed Fee will not be paid to the Hong Kong Underwriters but will instead be paid, at the rate applicable to the International Offering, to the relevant International Underwriters.

The Fixed Fee and Incentive Fee together with the Stock Exchange listing fees, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee, legal and other professional fees and printing and all other expenses relating to the Global Offering are estimated to be up to approximately HK\$77.8 million (assuming an indicative offer price of HK\$9.70 per Offer Share (which is the mid-point of the Offer Price range as stated in this prospectus) and the exercise of the Over-allotment Option in full) and will be paid by the Company.

Indemnity

Each of the Company and the Controlling Shareholders has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer or incur, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any material breach by the Company of the Hong Kong Underwriting Agreement.

LOCK-UP UNDERTAKINGS BY EXISTING SHAREHOLDERS (OTHER THAN THE CONTROLLING SHAREHOLDERS)

Each of the existing Shareholders (other than the controlling shareholders) is subject to a lock-up period of 180 days commencing on the date of this prospectus as required by the underwriters.

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ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Offering (together, the “Syndicate Members”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to our assets, securities and/or instruments and/or persons and entities with relationships with us and may also include swaps and other financial instruments entered into for hedging purposes in connection with our loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (i) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (ii) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

UNDERWRITING

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to us and certain of our affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of the Offer Shares in the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Citigroup Global Markets Asia Limited, China International Capital Corporation Hong Kong Securities Limited and Merrill Lynch (Asia Pacific) Limited are the Joint Overall Coordinators of the Global Offering.

The listing of the Shares on the Main Board of the Stock Exchange is sponsored by the Joint Sponsors. The Joint Sponsors have made an application on behalf of the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued or sold pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the Pre-IPO Share Option Scheme.

20,000,000 Offer Shares will initially be made available under the Global Offering comprising:

- the Hong Kong Public Offering of 2,000,000 Shares (subject to reallocation) in Hong Kong as described in “— The Hong Kong Public Offering” below; and
- the International Offering of 18,000,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in “— The International Offering” below.

Investors may either (i) apply for Hong Kong Offer Shares under the Hong Kong Public Offering; or (ii) apply for or indicate an interest for International Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 0.95% of the total Shares in issue immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme. If the Over-allotment Option is exercised in full and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme, the Offer Shares will represent approximately 1.10% of the total Shares in issue immediately following the completion of the Global Offering.

References in this prospectus to applications, **GREEN** Application Form, application monies or the procedure for applications relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Company is initially offering 2,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the Hong Kong Public Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.10% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme).

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

STRUCTURE OF THE GLOBAL OFFERING

Completion of the Hong Kong Public Offering is subject to the conditions set out in “— Conditions of the Global Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which could mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) will be divided equally (to the nearest board lot) into two pools: pool A and pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If any Hong Kong Offer Shares in one (but not both) of the pools are unsubscribed, such unsubscribed Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of the immediately preceding paragraph only, the “price” for Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B and not from both pools. Multiple or suspected multiple applications under the Hong Kong Public Offering and any application for more than 1,000,000 Hong Kong Offer Shares (being 50% of the 2,000,000 Offer Shares initially available under the Hong Kong Public Offering) is liable to be rejected.

Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached.

- (i) In the event that the International Offer Shares are fully subscribed or oversubscribed under the International Offering:
 - (a) if the Hong Kong Offer Shares are undersubscribed, the Joint Overall Coordinators (for themselves and on behalf of the Underwriters), at their sole and absolute discretion (but shall not be under any obligation), may reallocate all or any of the unsubscribed Shares from the Hong Kong Public Offering to the International Offering;
 - (b) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 4,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the

STRUCTURE OF THE GLOBAL OFFERING

International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will increase to up to 6,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- (c) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 6,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will increase to up to 8,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
 - (d) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 8,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will increase to up to 10,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.
- (ii) In the event that (a) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (b) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering **provided that** the Offer Price would be set at the bottom end of the indicative Offer Price range, being HK\$9.50, up to 2,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 4,000,000 Offer Shares, representing approximately 20.00% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-Allotment Option), in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Overall Coordinators. If either the Hong Kong Public Offering or the International Offering is not fully subscribed for, the Joint Overall Coordinators have the authority to reallocate all or any unsubscribed Offer Shares from such offering to the other, in such proportion as the Joint Overall Coordinators deem appropriate.

Details of any reallocation of Offer Shares between the Hong Kong Public Offering and the International Offering will be disclosed in the allotment results announcement, which is expected to be published on Friday, January 6, 2023.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him/her that he/she and any person(s) for whose benefit he/she is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares under the International Offering. Such applicant's application is liable to be rejected if such undertaking and/or confirmation is/are breached and/or untrue (as the case may be) or if he/she has been or will be placed or allocated International Offer Shares under the International Offering.

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Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price in addition to the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee payable on each Offer Share, amounting to a total of HK\$4,999.92 for one board lot of 500 Offer Shares. If the Offer Price, as finally determined in the manner described in “— Pricing and Allocation” below, is less than the maximum Offer Price, appropriate refund payments (including the brokerage, the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. See “How to Apply for Hong Kong Offer Shares.”

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

The International Offering will consist of 18,000,000 Shares (subject to reallocation and the Over-allotment Option), representing 90.0% of the total number of Offer Shares initially available under the Global Offering. The number of Offer Shares initially offered under the International Offering, subject to any reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, will represent approximately 0.86% of the total Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme).

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of the Group and the Shareholders as a whole.

The Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Overall Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any allocation of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in “— The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Overall Coordinators (on behalf of the International Underwriters).

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Joint Overall Coordinators (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to an aggregate of 3,000,000 Shares, representing not more than 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme, the additional Offer Shares to be issued pursuant thereto will represent approximately 0.14% of the total Shares in issue immediately following the completion of the Global Offering. If the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager (or any person acting for it), on behalf of the Underwriters, may make purchases, over-allocate or effect transactions in the market or otherwise take such stabilizing action(s) with a view to supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager (or any person acting for it) to conduct any such stabilizing action. Such stabilizing action, if taken, (i) will be conducted at the sole and absolute discretion of the Stabilizing Manager (or any person acting for it) and in what the Stabilizing Manager reasonably regards as the best interest of the Company, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of the Shares, (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares, (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price of the Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases and (vi) offering or attempting to do anything as described in clauses (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;

STRUCTURE OF THE GLOBAL OFFERING

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on Sunday, January 29, 2023, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

The Company will ensure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of the Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by, among other methods, exercising the Over-allotment Option in full or in part, using the Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations, if any, in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 3,000,000 Shares (being the maximum number of the Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Chalk Sky Ltd, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or any person acting for it) and Chalk Sky Ltd on or about the Price Determination Date.

The same number of the Shares so borrowed must be returned to Chalk Sky Ltd or their nominees, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full, or such earlier time as may be agreed in writing between the parties.

The Stock Borrowing Agreement described above will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to the Controlling Shareholders by the Stabilizing Manager (or any person acting for it) in relation to such Stock Borrowing Agreement.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Determining the Pricing of the Offer Shares

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be determined on the Price Determination Date, which is expected to be on or about Friday, December 30, 2022 and, in any event, no later than Friday, January 6, 2023, by agreement between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$9.90 per Offer Share and is expected to be not less than HK\$9.50 per Offer Share, unless otherwise announced, as further explained below. Applicants under the Hong Kong Public Offering must pay, on application, the maximum Offer Price plus brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%, amounting to a total of HK\$4,999.92 for one board lot of 500 Offer Shares. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the minimum Offer Price stated in this prospectus.**

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or about, the last day for lodging applications under the Hong Kong Public Offering.

The Joint Overall Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the consent of the Company, reduce the number of Offer Shares offered below and/or the Offer Price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of the Company and the Stock Exchange at www.fenbi.com and www.hkexnews.hk, respectively, notices of the reduction. The Company will also, as soon as practicable following the decision to make such change, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the Offer Price, extend the period under which the Hong Kong Public Offering was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and require investors who had applied for the Hong Kong Offer Shares to positively confirm their applications for Offer Shares in light of the change in the number of Offer Shares and/or the Offer Price. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, will be fixed within such revised Offer Price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or Offer Price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such

STRUCTURE OF THE GLOBAL OFFERING

notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

Announcement of Final Pricing of the Offer Shares

The final pricing of the Offer Shares, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in “How to Apply for Hong Kong Offer Shares — D. Publication of Results.”

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms and conditions of the Hong Kong Underwriting Agreement and is subject to, among other things, the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company agreeing on the Offer Price.

The Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, including the Underwriting Agreements, are summarized in “Underwriting.”

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued or sold pursuant to the Global Offering (including any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued pursuant to the Pre-IPO Share Option Scheme, on the Main Board of the Stock Exchange and such approval not subsequently having been withdrawn or revoked prior to the Listing Date;
- the pricing of the Offer Shares having been agreed between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company;
- the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Overall Coordinators (for themselves and on behalf of the Underwriters) and the Company on or before Friday, January 6, 2023, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by the Company on the websites of the Company and the Stock Exchange at www.fenbi.com and www.hkexnews.hk, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to Apply for Hong Kong Offer Shares — F. Refund of Application Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

Share certificates for the Offer Shares will only become valid at 8:00 a.m. on Monday, January 9, 2023, provided that the Global Offering has become unconditional in all respects at or before that time.

DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, January 9, 2023, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, January 9, 2023.

The Shares will be traded in board lots of 500 Shares each and the stock code of the Shares will be 2469.

HOW TO APPLY FOR HONG KONG OFFER SHARES

NOTICE TO INVESTORS FULLY ELECTRONIC APPLICATION PROCESS

The Hong Kong Public Offering is being conducted in a fully electronic manner and no printed copies of this prospectus or the GREEN Application Form for use by the public will be provided by the Company in accordance with the Listing Rules.

This prospectus is available at the website of Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and the Company’s website at www.fenbi.com. If you require a printed copy of this prospectus, you may download and print from the website addresses above. If you are an intermediary, broker or agent, please remind your customers, clients or principals, as applicable, that this prospectus is available online at the website addresses above.

Set out below are procedures through which you can apply for the Hong Kong Offer Shares electronically. No physical channels to accept any application for the Hong Kong Offer Shares by the public will be provided by the Company in accordance with the Listing Rules.

A. APPLICATIONS FOR HONG KONG OFFER SHARES

1. How to Apply

To apply for Hong Kong Offer Shares, you may:

- (1) apply online through the **White Form eIPO** service at www.eipo.com.hk; or
- (2) apply through **CCASS EIPO** service to electronically cause HKSCC Nominees to apply on your behalf, including by:
 - (i) instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for Hong Kong Offer Shares on your behalf; or
 - (ii) (if you are an existing CCASS Investor Participant) giving **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request form.

If you apply through channel (1) above, the Hong Kong Offer Shares successfully applied for will be issued in your own name.

If you apply through channels (2)(i) or (2)(ii) above, the Hong Kong Offer Shares successfully applied for will be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Overall Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application, in full or in part, for any reason at their discretion.

HOW TO APPLY FOR HONG KONG OFFER SHARES

2. Who Can Apply

Eligibility for the Application

You can apply for Hong Kong Offer Shares if you or any person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S.

If an application is made by a person under a power of attorney, the Company and the Joint Overall Coordinators, as the Company's agents, may accept it at the Company's or their discretion, and on any conditions the Company or they think fit, including requiring evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in the Company and/or any its subsidiaries;
- a director or chief executive officer of the Company and/or any member of the Group;
- a close associate (as defined in the Listing Rules) of any of the above persons; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

Items Required for the Application

If you apply for Hong Kong Offer Shares online through the **White Form eIPO** service, you must:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are applying for the Hong Kong Offer Shares online by instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals, please contact them for the items required for the application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. Terms and Conditions of an Application

By applying through the application channels specified in this prospectus, you:

- undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Overall Coordinators (or their agents or nominees), as the Company's agents, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Cayman Companies Act;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and read this prospectus and have relied only on the information and representations in this prospectus in making your application and will not rely on any other information or representations, except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering set out in this prospectus;
- agree that none of the Company, the Joint Sponsors, the Joint Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (the "Relevant Persons"), and the **White Form eIPO** Service Provider is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
- agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which the Company or any of them may require about you and the person(s) for whose benefit you have made the application;
- if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and neither the Company nor the Relevant Persons will breach any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions in this prospectus;
- agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- agree that your application will be governed by the laws of Hong Kong;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (within the meaning of Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- warrant that the information you have provided is true and accurate;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- authorise (i) the Company to place your name(s) or the name of HKSCC Nominees on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you and such other registers as required under the Articles of Association and (ii) the Company and/or the Company's agents to send any Share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint applications by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "— G. Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Cheques — Personal Collection" below to collect the Share certificate(s) and/or refund cheque(s) in person;
- declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- understand that the Company, the Directors and the Joint Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit by giving **electronic application instructions** to HKSCC directly or indirectly or through the **White Form eIPO** service by you or by any one as your agent or by any other person; and
- (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person by giving **electronic application instructions** to HKSCC and (ii) you have due authority to give **electronic application instructions** on behalf of that other person as its agent.

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant and CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Minimum Application Amount and Permitted Numbers

Your application through the **White Form eIPO** service or the **CCASS EIPO** service must be for a minimum of 500 Hong Kong Offer Shares and in one of the numbers set out in the table. You are required to pay the amount next to the number you select.

No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application	No. of Hong Kong Offer Shares applied for	Amount payable on application
	HK\$		HK\$		HK\$		HK\$
500	4,999.92	7,000	69,998.89	50,000	499,992.08	400,000	3,999,936.60
1,000	9,999.84	8,000	79,998.73	60,000	599,990.49	450,000	4,499,928.68
1,500	14,999.76	9,000	89,998.57	70,000	699,988.90	500,000	4,999,920.76
2,000	19,999.68	10,000	99,998.41	80,000	799,987.32	600,000	5,999,904.90
2,500	24,999.61	15,000	149,997.62	90,000	899,985.74	700,000	6,999,889.06
3,000	29,999.52	20,000	199,996.84	100,000	999,984.16	800,000	7,999,873.20
3,500	34,999.45	25,000	249,996.03	150,000	1,499,976.23	900,000	8,999,857.36
4,000	39,999.37	30,000	299,995.25	200,000	1,999,968.30	1,000,000 ⁽¹⁾	9,999,841.50
4,500	44,999.29	35,000	349,994.46	250,000	2,499,960.38		
5,000	49,999.21	40,000	399,993.65	300,000	2,999,952.46		
6,000	59,999.05	45,000	449,992.87	350,000	3,499,944.53		

(1) Maximum number of Hong Kong Offer Shares you may apply for.

No application for any other number of the Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

5. Applying Through the White Form eIPO Service

General

Individuals who meet the criteria in “— 2. Who Can Apply” above may apply through the **White Form eIPO** service for the Offer Shares to be allocated and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application through the **White Form eIPO** service through the designated website at www.eipo.com.hk (24 hours daily, except on the last day for applications) from 9:00 a.m. on Friday, December 23, 2022 until 11:30 a.m. on Friday, December 30, 2022 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, December 30, 2022, the last day for applications, or such later time as described in “— C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Commitment to sustainability

The obvious advantage of **White Form eIPO** service is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 per each “**Fenbi Ltd.**” **White Form eIPO** application submitted via www.eipo.com.hk to support sustainability.

6. Applying Through CCASS EIPO Service

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant’s stock account, electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Internet System (<https://ip.ccass.com>) or through the CCASS Phone System by calling +852 2979 7888 (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time). HKSCC can also input **electronic application instructions** for CCASS Investor Participants through HKSCC’s Customer Service Centre at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong by completing an input request.

If you are **not a CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Overall Coordinators and the Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Applying through CCASS EIPO Service

Where you have applied through **CCASS EIPO** service (either indirectly through a broker or custodian or directly) and an application is made by HKSCC Nominees on your behalf:

- HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of this prospectus; and
- HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allocated shall be registered in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Offer Shares nor participated in the International Offering;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as its agent;
 - confirm that you understand that the Company, the Directors and the Joint Overall Coordinators will rely on your declarations and representations in deciding whether or not to allocate any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
 - authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you, and dispatch Share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between the Company and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made and will not rely on any other information or representations, except those in any supplement to this prospectus;
 - agree that neither the Company nor any of the Relevant Persons is or will be liable for any information and representations not in this prospectus (and any supplement to this prospectus);
 - agree to disclose to the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons any personal data which the Company or they may require about you;

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- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with the Company, and to become binding when you give the instructions and such collateral contract to be in consideration of the Company's agreeing that the Company will not offer any Hong Kong Offer Shares to any person on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offering by the Company;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for the Company and on behalf of each Shareholder, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Articles of Association, the Companies (Winding Up and Miscellaneous Provisions) Ordinance the Cayman Companies Act; and
- agree that your application, any acceptance of it and the resulting contract will be governed by, and construed in accordance with the laws of Hong Kong.

Effect of Applying through CCASS EIPO Service

By applying through **CCASS EIPO** service, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees will be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

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- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, the SFC transaction levy, the AFRC transaction levy and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage, the SFC transaction levy, the AFRC transaction levy and Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in this prospectus.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates and times:

Friday, December 23, 2022 — 9:00 a.m. to 8:30 p.m.
Saturday, December 24, 2022 — 8:00 a.m. to 1:00 p.m.
Wednesday, December 28, 2022 — 8:00 a.m. to 8:30 p.m.
Thursday, December 29, 2022 — 8:00 a.m. to 8:30 p.m.
Friday, December 30, 2022 — 8:00 a.m. to 12:00 noon

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, December 23, 2022 until 12:00 noon on Friday, December 30, 2022 (24 hours daily, except on Friday, December 30, 2022, the last day for applications).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, December 30, 2022, the last day for applications, or such later time as described in “— C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists” below.

(1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing Participants, CCASS Custodian Participants and/or CCASS Investor Participants.

If you are instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you are advised to contact your broker or custodian for the latest time for giving such instructions which may be different from the latest time as stated above.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The following Personal Information Collection Statement applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving banks and the Relevant Persons about you in the same way as it applies to personal data about applicants other than HKSCC Nominees. By applying through **CCASS EIPO** service, you agree to all of the terms of the Personal Information Collection Statement below.

Personal Information Collection Statement

This Personal Information Collection Statement informs applicant for, and holder of, the Hong Kong Offer Shares, of the policies and practices of the Company and the Hong Kong Share Registrar in relation to personal data and the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong).

Reasons for the Collection of Your Personal Data

It is necessary for applicants and registered holders of the Hong Kong Offer Shares to supply correct personal data to the Company or the Company's agents and the Hong Kong Share Registrar when applying for the Hong Kong Offer Shares or transferring the Hong Kong Offer Shares into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for the Hong Kong Offer Shares being rejected, or in delay or the inability of the Company or the Hong Kong Share Registrar to effect transfers or otherwise render their services. It may also prevent or delay registration or transfers of the Hong Kong Offer Shares which you have successfully applied for and/or the dispatch of share certificate(s) to which you are entitled.

It is important that the holders of the Hong Kong Offer Shares inform the Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

Purposes

Your personal data may be used, held, processed, and/or stored (by whatever means) for the following purposes:

- processing your application and refund cheque, where applicable, verification of compliance with the terms and application procedures set out in this prospectus and announcing results of allocation of the Hong Kong Offer Shares;
- compliance with applicable laws and regulations in Hong Kong and elsewhere;
- registering new issues or transfers into or out of the names of the holders of the Shares including, where applicable, HKSCC Nominees;
- maintaining or updating the Register of Members;

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- verifying identities of the holders of the Shares;
- establishing benefit entitlements of holders of the Shares, such as dividends, rights issues, bonus issues, etc.;
- distributing communications from the Company and other member of the Group;
- compiling statistical information and profiles of the holder of the Shares;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable the Company and the Hong Kong Share Registrar to discharge their obligations to holders of the Shares and/or regulators and/or any other purposes to which the securities' holders may from time to time agree.

Transfer of Personal Data

Personal data held by the Company and the Hong Kong Share Registrar relating to the holders of the Hong Kong Offer Shares will be kept confidential but the Company and the Hong Kong Share Registrar may, to the extent necessary for achieving any of the above purposes, disclose, obtain or transfer (whether within or outside Hong Kong) the personal data to, from or with any of the following:

- the Company's appointed agents such as financial advisers, receiving bankers and overseas principal share registrar;
- where applicants for the Hong Kong Offer Shares request a deposit into CCASS, HKSCC or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to the Company or the Hong Kong Share Registrar in connection with their respective business operation;
- the Stock Exchange, the SFC and any other statutory regulatory or governmental bodies or otherwise as required by laws, rules or regulations; and
- any persons or institutions with which the holders of the Hong Kong Offer Shares have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers, etc.

Retention of Personal Data

The Company and the Hong Kong Share Registrar will keep the personal data of the applicants and holders of the Hong Kong Offer Shares for as long as necessary to fulfil the purposes for which the personal data were collected. Personal data which is no longer required will be destroyed or dealt with in accordance with the Personal Data (Privacy) Ordinance.

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Access to and Correction of Personal Data

Holders of the Hong Kong Offer Shares have the right to ascertain whether the Company or the Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. The Company and the Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of such requests. All requests for access to data or correction of data should be addressed to the Company, at the Company's registered address disclosed in "Corporate Information" or as notified from time to time, for the attention of the secretary, or the Hong Kong Share Registrar for the attention of the privacy compliance officer.

7. Warning for Electronic Applications

The application for the Hong Kong Offer Shares by **CCASS EIPO** service (directly or indirectly through your broker or custodian) is only a facility provided to CCASS Participants. Similarly, the application for the Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last day for applications to make your electronic application. The Company, the Directors, the Relevant Persons and the **White Form eIPO** Service Provider take no responsibility for such applications and provide no assurance that any CCASS Participant applying through **CCASS EIPO** service or person applying through the **White Form eIPO** service will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems.

In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, December 30, 2022, the last day for applications, or such later time as described in "— C. Effect of Bad Weather and Extreme Conditions on the Opening and Closing of the Application Lists" below.

8. How Many Applications You Can Make

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees.

All of your applications will be rejected if more than one application through the **CCASS EIPO** service (directly or indirectly through your broker or custodian) or through the **White Form eIPO** service is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**), and the number of Hong Kong Offer Shares applied by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your behalf.

For the avoidance of doubt, giving an **electronic application instruction** under the **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application. However, any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your behalf to HKSCC will be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

HOW TO APPLY FOR HONG KONG OFFER SHARES

then the application will be treated as being made for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

B. HOW MUCH THE HONG KONG OFFER SHARES ARE

The maximum Offer Price is HK\$9.90 per Offer Share. You must also pay brokerage of 1.0%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%. This means that for one board lot of 500 Hong Kong Offer Shares, you will pay HK\$4,999.92.

You must pay the maximum Offer Price, together with brokerage, the SFC transaction levy, the AFRC transaction levy and Stock Exchange trading fee, in full upon application for Hong Kong Offer Shares.

You may submit an application through the **White Form eIPO** service or the **CCASS EIPO** service in respect of a minimum of 500 Hong Kong Offer Shares. If you make an **electronic application instruction** for more than 500 Hong Kong Offer Shares, the number of Hong Kong Offer Shares you apply for must be in one of the specified numbers set out in the section “— A. Applications for Hong Kong Offer Shares — 4. Minimum Application Amount and Permitted Number.”

If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Listing Rules), and the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee will be paid to the Stock Exchange (in the case of the SFC transaction levy and the AFRC transaction levy, collected by the Stock Exchange on behalf of the SFC and the AFRC).

For further details on the Offer Price, see “Structure of the Global Offering — Pricing and Allocation.”

C. EFFECT OF BAD WEATHER AND EXTREME CONDITIONS ON THE OPENING AND CLOSING OF THE APPLICATION LISTS

The application lists will not open or close if there is/are:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 30, 2022. Instead, they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

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If the application lists do not open and close on Friday, December 30, 2022 or if there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in “Expected Timetable,” an announcement will be made on the Company’s website at www.fenbi.com and the website of Stock Exchange at www.hkexnews.hk.

D. PUBLICATION OF RESULTS

The Company expects to announce the pricing of the Offer Shares on Friday, January 6, 2023 on its website at www.fenbi.com and the website of Stock Exchange at www.hkexnews.hk.

The Company expects to announce the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocations of the Hong Kong Offer Shares on Friday, January 6, 2023 on its website at www.fenbi.com and the website of Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering (if provided) will be available at the times and dates and in the manner set out below:

- in the announcement to be posted on the Company’s website and the website of Stock Exchange at www.fenbi.com and www.hkexnews.hk, respectively, by no later than 9:00 a.m. on Friday, January 6, 2023;
- from the designated results of allocations website at www.iporesults.com.hk (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID function” on a 24 hour basis from 8:00 a.m. on Friday, January 6, 2023 to 12:00 midnight on Thursday, January 12, 2023; and
- from the allocation results telephone enquiry line by calling +852 2862 8555 between 9:00 a.m. and 6:00 p.m. from Friday, January 6, 2023 to Wednesday, January 11, 2023 on a business day.

If the Company accept your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are set out in “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

E. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOCATED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allocated to you:

If your application is revoked:

By applying through the **CCASS EIPO** service or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of opening of the application lists (excluding any days which is Saturday, Sunday or public holiday in Hong Kong) in the following circumstances:

- if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section on or before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong) which excludes or limits that person's responsibility for this prospectus; or
- if any supplement to this prospectus is issued, in which case applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

If the Company or its agents exercise discretion to reject your application:

The Company, the Joint Overall Coordinators, the **White Form eIPO** Service Provider and their respective agents or nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

If:

- you make multiple applications or are suspected of making multiple applications;
- you or the person for whose benefit you apply for, have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your payment is not made correctly;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at www.eipo.com.hk;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- you apply for more than 1,000,000 Hong Kong Offer Shares, being 50% of the 2,000,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering;
- the Company or the Joint Overall Coordinators believe that by accepting your application, a violation of applicable securities or other laws, rules or regulations would result; or
- the Underwriting Agreements do not become unconditional or are terminated.

F. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price per Offer Share (excluding brokerage, the SFC transaction levy, the AFRC transaction levy and Stock Exchange trading fee payable thereon) paid on application, or if the conditions of the Global Offering as set out in “Structure of the Global Offering — Conditions of the Global Offering” are not satisfied or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, the SFC transaction levy, the AFRC transaction levy and Stock Exchange trading fee, will be refunded, without interest.

Any refund of your application monies will be made on or before Friday, January 6, 2023.

G. DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

You will receive one Share certificate for all Hong Kong Offer Shares allocated to you under the Hong Kong Public Offering (except pursuant to applications made through the **CCASS EIPO** service where the Share certificates will be deposited into CCASS as described below).

The Company will not issue any temporary document of title in respect of the Offer Shares. The Company will not issue receipt for sums paid on application.

Subject to arrangement on dispatch/collection of Share certificates and refund cheques as mentioned below, any refund cheques and Share certificate(s) are expected to be posted on or before Friday, January 6, 2023. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, January 9, 2023, provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with their respective terms at or before that time. Investors who trade the Shares on the basis of publicly available allocation details or prior to the receipt of the Share certificates or prior to the Share certificates becoming valid do so entirely at their own risk.

Personal Collection

If you apply through White Form eIPO service:

- If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service and your application is wholly or partially successful, you may collect your Share certificate(s) (where applicable) in person from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, January 6, 2023, or any other place or date notified by the Company.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you do not personally collect your Share certificate(s) within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post and at your own risk.
- If you apply for less than 1,000,000 Hong Kong Offer Shares through the **White Form eIPO** service, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Friday, January 6, 2023 by ordinary post and at your own risk.
- If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address specified in your application instructions in the form of refund cheque(s) by ordinary post and at your own risk.

If you apply through CCASS EIPO service:

Allocation of Hong Kong Offer Shares

- For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, January 6, 2023 or on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card/passport/Hong Kong business registration number or other identification code (Hong Kong business registration number for corporations) and the basis of allocations of the Hong Kong Offer Shares in the manner as described in “— D. Publication of Results” above on Friday, January 6, 2023. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, January 6, 2023 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf, you can also check the number of the Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you with that broker or custodian.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allocated to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Friday, January 6, 2023. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of the refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, the SFC transaction levy, the AFRC transaction levy and Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, January 6, 2023.

H. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second settlement day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangements as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Hong Kong Standard on Investment Circular Reporting Engagement 200 (the "HKSIR 200"), Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF FENBI LTD., CITIGROUP GLOBAL MARKETS ASIA LIMITED, CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND MERRILL LYNCH (ASIA PACIFIC) LIMITED

Introduction

We report on the historical financial information of Fenbi Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-69, which comprises the consolidated balance sheets as at December 31, 2019, 2020, 2021 and June 30, 2022, the Company balance sheets as at December 31, 2020, 2021 and June 30, 2022 and the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2019, 2020 and 2021 and six months ended June 30, 2022 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-69 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 23, 2022 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design 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. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2020, 2021 and June 30, 2022 and the consolidated financial position of the Group as at December 31, 2019, 2020, 2021 and June 30, 2022 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the six months ended June 30, 2021 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the International Auditing and Assurance Standards Board ("IAASB"). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES") AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 29 to the Historical Financial Information which states that no dividends have been paid by Fenbi Ltd. in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
December 23, 2022

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	1,160,315	2,132,074	3,428,559	1,885,417	1,451,032
Cost of sales.	5, 8	(624,073)	(1,642,142)	(2,587,692)	(1,562,874)	(761,721)
Gross profit.		<u>536,242</u>	<u>489,932</u>	<u>840,867</u>	<u>322,543</u>	<u>689,311</u>
Administrative expenses	8	(142,424)	(484,342)	(1,119,886)	(579,719)	(264,922)
Selling and marketing expenses	8	(116,191)	(404,896)	(704,125)	(385,853)	(253,142)
Research and development expenses	8	(104,117)	(124,389)	(286,959)	(111,667)	(85,348)
Net impairment losses on financial assets and contract assets		(24)	(923)	(641)	(1,489)	(89)
Other income	6	7,823	9,776	25,005	9,900	12,160
Other gains/(losses), net	7	4,739	3,554	1,226	18,361	(67,118)
Operating profit/(loss).		<u>186,048</u>	<u>(511,288)</u>	<u>(1,244,513)</u>	<u>(727,924)</u>	<u>30,852</u>
Fair value losses of financial liabilities at fair value through profit or loss	26	—	—	(582,957)	(19,698)	(383,799)
Loss on settlement of financial liabilities at fair value through profit or loss	26	—	—	(212,760)	(212,760)	—
Finance income		1,153	1,357	2,304	1,317	2,508
Finance costs		(3,165)	(7,236)	(20,003)	(11,217)	(10,810)
Finance costs — net.	10	(2,012)	(5,879)	(17,699)	(9,900)	(8,302)
Profit/(loss) before income tax		<u>184,036</u>	<u>(517,167)</u>	<u>(2,057,929)</u>	<u>(970,282)</u>	<u>(361,249)</u>
Income tax (expense)/credit	11	(29,966)	32,695	11,958	24,769	(30,521)
Profit/(loss) for the year/period		<u><u>154,070</u></u>	<u><u>(484,472)</u></u>	<u><u>(2,045,971)</u></u>	<u><u>(945,513)</u></u>	<u><u>(391,770)</u></u>
Profit/(loss) attributable to:						
— Owners of the Company		<u>154,070</u>	<u>(484,472)</u>	<u>(2,045,971)</u>	<u>(945,513)</u>	<u>(391,770)</u>
Earnings per share for profit/(loss) attributable to owners of the Company						
Basic earnings/(loss) per share	12	0.21	(0.66)	(2.81)	(1.30)	(0.54)
Diluted earnings/(loss) per share	12	0.20	(0.66)	(2.81)	(1.30)	(0.54)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Notes	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) for the year/period . . .	154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
Other comprehensive income/(loss)					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences of the Company's subsidiaries.	—	—	(122)	1	(1,614)
<i>Items that will not be reclassified to profit or loss</i>					
Currency translation differences of the Company	—	—	175,054	75,826	(393,660)
Other comprehensive income/(loss) for the year/period, net of tax . . .	—	—	174,932	75,827	(395,274)
Total comprehensive income/(loss) for the year/period	154,070	(484,472)	(1,871,039)	(869,686)	(787,044)
Total comprehensive income/(loss) for the year/period attributable to:					
— Owners of the Company	154,070	(484,472)	(1,871,039)	(869,686)	(787,044)

CONSOLIDATED BALANCE SHEETS

	Notes	As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets					
Property, plant and equipment	13	19,068	133,574	231,105	164,346
Right-of-use assets	15	69,983	338,120	429,680	269,570
Intangible assets	14	770	691	882	827
Prepayment and other receivables	18	11,240	13,748	35,234	20,538
Deferred income tax assets	28	—	39,993	64,808	41,487
Total non-current assets		101,061	526,126	761,709	496,768
Current assets					
Inventories	19	52,636	73,849	87,197	88,732
Trade receivables	17	4,740	7,522	5,656	18,205
Contract assets	5	—	—	20,528	60,160
Prepayment and other receivables	18	45,493	77,147	97,127	75,885
Financial assets at fair value through profit or loss	20	280,181	351,639	10,139	—
Cash and cash equivalents	21	161,783	332,650	1,159,867	1,253,529
Total current assets		544,833	842,807	1,380,514	1,496,511
Total assets		645,894	1,368,933	2,142,223	1,993,279
Equity/deficit					
Equity/deficit attributable to owners of the Company					
Share capital	22	—	42	47	47
Share premium	22	—	2,307,991	2,648,395	2,648,395
Other reserves	24	61,048	(8,516,304)	(8,465,224)	(8,776,812)
Retained earnings/(accumulated losses)		116,583	(367,889)	(2,417,858)	(2,810,126)
Total equity/(deficit)		177,631	(6,576,160)	(8,234,640)	(8,938,496)
Liabilities					
Non-current liabilities					
Lease liabilities	15	40,577	178,563	267,904	172,296
Financial liabilities at fair value through profit or loss	26	—	6,390,956	8,756,164	9,614,491
Deferred income		—	—	—	1,000
Total non-current liabilities		40,577	6,569,519	9,024,068	9,787,787
Current liabilities					
Trade and other payables	25	76,453	312,528	313,360	167,808
Contract liabilities	5	109,314	156,103	169,194	157,618
Refund liabilities	27	196,103	757,752	680,293	685,002
Current income tax liabilities		19,333	20,439	22,164	26,782
Lease liabilities	15	26,456	128,752	167,784	106,778
Deferred tax liabilities	28	27	—	—	—
Total current liabilities		427,686	1,375,574	1,352,795	1,143,988
Total liabilities		468,263	7,945,093	10,376,863	10,931,775
Total equity/(deficit) and liabilities		645,894	1,368,933	2,142,223	1,993,279

COMPANY BALANCE SHEETS

	Notes	As at 31 December		As at 30 June
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Assets				
Non-current assets				
Investments in subsidiaries		8,866,524	9,622,312	9,705,500
Total non-current assets		8,866,524	9,622,312	9,705,500
Current assets				
Cash and cash equivalents	21	—	16,434	16,751
Prepayment and other receivables	18	—	1,526,904	1,598,866
Total current assets		—	1,543,338	1,615,617
Total assets		8,866,524	11,165,650	11,321,117
Equity				
Equity attributable to owners of the Company				
Share capital	22	42	47	47
Share premium	22	2,307,991	2,648,395	2,648,395
Other reserves	24	167,535	555,148	244,676
Accumulated losses		—	(804,846)	(1,214,644)
Total equity		2,475,568	2,398,744	1,678,474
Liabilities				
Non-current liabilities				
Financial liabilities at fair value through profit or loss	26	6,390,956	8,756,164	9,614,491
Total non-current liabilities		6,390,956	8,756,164	9,614,491
Current liabilities				
Trade and other payables		—	10,742	28,152
Total current liabilities		—	10,742	28,152
Total liabilities		6,390,956	8,766,906	9,642,643
Total equity and liabilities		8,866,524	11,165,650	11,321,117

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to equity holders of the Company				
	Notes	Share capital	Share premium	Other reserves	Retained earnings/ (accumulated losses)	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019		—	—	34,727	(32,337)	2,390
Profit for the year		—	—	—	154,070	154,070
Total comprehensive income for the year		—	—	—	154,070	154,070
Transactions with owners in their capacity as owners:						
Profit appropriation to statutory surplus reserves		—	—	5,150	(5,150)	—
Employee share option plan — value of employee services	9, 23	—	—	21,171	—	21,171
Total transactions with owners in their capacity as owners.		—	—	26,321	(5,150)	21,171
Balance at 31 December 2019		—	—	61,048	116,583	177,631
		Attributable to equity holders of the Company				
	Notes	Share capital	Share premium	Other reserves	Retained earnings/ (accumulated losses)	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020		—	—	61,048	116,583	177,631
Loss for the year		—	—	—	(484,472)	(484,472)
Total comprehensive loss for the year		—	—	—	(484,472)	(484,472)
Transactions with owners in their capacity as owners:						
Reorganization related to spin off from the predecessor holding company — issuance of Series A preferred shares	1.2.2 (iii), 22, 26	42	2,307,991	(8,698,989)	—	(6,390,956)
Employee share option plan — value of employee services	9, 23	—	—	121,637	—	121,637
Total transactions with owners in their capacity as owners.		42	2,307,991	(8,577,352)	—	(6,269,319)
Balance at 31 December 2020		42	2,307,991	(8,516,304)	(367,889)	(6,576,160)

		Attributable to equity holders of the Company				
Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2021	42	2,307,991	(8,516,304)	(367,889)	(6,576,160)	
Loss for the year	—	—	—	(2,045,971)	(2,045,971)	
Other comprehensive income	—	—	174,932	—	174,932	
Total comprehensive loss for the year	—	—	174,932	(2,045,971)	(1,871,039)	
Transactions with owners in their capacity as owners:						
Issue of ordinary shares	22	5	340,404	(340,409)	—	
Profit appropriation to statutory surplus reserves		—	—	3,998	(3,998)	
Employee share option plan — value of employee services	9, 23	—	—	325,542	—	
Employee share option plan — repurchase value	23	—	—	(112,983)	—	
Total transactions with owners in their capacity as owners.		5	340,404	(123,852)	(3,998)	
Balance at 31 December 2021		47	2,648,395	(8,465,224)	(2,417,858)	

		Attributable to equity holders of the Company				
Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2022	47	2,648,395	(8,465,224)	(2,417,858)	(8,234,640)	
Loss for the period	—	—	—	(391,770)	(391,770)	
Other comprehensive income	—	—	(395,274)	—	(395,274)	
Total comprehensive loss for the period	—	—	(395,274)	(391,770)	(787,044)	
Transactions with owners in their capacity as owners:						
Profit appropriation to statutory surplus reserves		—	—	498	(498)	
Employee share option plan value of employee services	9,23	—	—	83,188	—	
Total transactions with owners in their capacity as owners.		—	—	83,686	(498)	
Balance at 30 June 2022		47	2,648,395	(8,776,812)	(2,810,126)	

		Attributable to equity holders of the Company				
	Notes	Share capital	Share premium	Other reserves	Accumulated losses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021		42	2,307,991	(8,516,304)	(367,889)	(6,576,160)
Loss for the period		—	—	—	(945,513)	(945,513)
Other comprehensive income		—	—	75,827	—	75,827
Total comprehensive loss for the period		—	—	75,827	(945,513)	(869,686)
Transactions with owners in their capacity as owners:						
Issue of ordinary shares	22	5	340,404	(340,409)	—	—
Profit appropriation to statutory surplus reserves		—	—	427	(427)	—
Employee share option plan — value of employee services . . .	9, 23	—	—	89,000	—	89,000
Employee share option plan — repurchase value	23	—	—	(103,919)	—	(103,919)
Total transactions with owners in their capacity as owners.		5	340,404	(354,901)	(427)	(14,919)
Balance at 30 June 2021 (Unaudited)		47	2,648,395	(8,795,378)	(1,313,829)	(7,460,765)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from/(used in) operations	30	448,614	458,550	(882,646)	(271,782)	63,491
Interest paid		(1,418)	(7,236)	(20,003)	(11,217)	(7,744)
Interest received		870	1,074	2,229	1,317	2,508
Income tax (paid)/received		(13,967)	6,737	(14,709)	(4,845)	(878)
Net cash generated from/(used in) operating activities		434,099	459,125	(915,129)	(286,527)	57,377
Cash flows from investing activities						
Payment for acquisition of subsidiary, net of cash acquired		—	(700)	—	—	—
Purchase of property, plant and equipment		(13,147)	(135,571)	(219,003)	(183,272)	(20,505)
Proceeds from government related to purchase property, plant and equipment		—	—	—	—	1,000
Purchase of intangible assets	14	(664)	—	(289)	(266)	—
Purchase of financial assets at fair value through profit or loss	3	(745,640)	(1,072,010)	(3,691,338)	(2,724,044)	(1,489,960)
Redemption of financial assets at fair value through profit or loss	3	470,280	1,010,329	4,052,345	2,393,493	1,505,159
Proceeds from sale of property, plant and equipment		4	692	14,801	2,375	27,687
Repayment of loans by third parties		—	5,000	—	—	—
Repayment of loans by related parties	33(e)	—	4,000	—	—	—
Interest received from third parties		283	283	—	—	—
Net cash in for the settlement of derivatives		—	—	—	—	2,059
Net cash (used in)/generated from investing activities		(288,884)	(187,977)	156,516	(511,714)	25,440
Cash flows from financing activities						
Proceeds from bank borrowing		—	—	—	—	54,530
Repayments of bank borrowing		—	—	—	—	(54,530)
Payments for listing expenses		—	—	(764)	—	(877)
Repayments of borrowing from the related party	33(d)	(68,550)	—	—	—	—
Payment for redemption of certain preferred shares	26	—	—	(754,310)	(754,310)	—
Principal elements of lease payments	30(b)	(22,176)	(100,281)	(157,904)	(101,522)	(49,018)
Proceeds from issuance of preferred shares	26	—	—	2,525,415	2,525,415	—
Net cash (used in)/generated from financing activities		(90,726)	(100,281)	1,612,437	1,669,583	(49,895)
Net increase in cash and cash equivalents		54,489	170,867	853,824	871,342	32,922
Cash and cash equivalents, at the beginning of the year/period		109,041	161,783	332,650	332,650	1,159,867
Exchange difference		(1,747)	—	(26,607)	(6,235)	60,740
Cash and cash equivalents at the end of the year/period	21	161,783	332,650	1,159,867	1,197,757	1,253,529

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Fenbi Ltd. (the “Company”) was incorporated in the Cayman Islands on 14 December 2020 as an exempted company with limited liability under the Company Law (Cap 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands.

The Company is an investment holding company. During the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2022, the Company and its subsidiaries (together, the “Group”) are principally engaged in providing non-formal vocational education and training services in the People’s Republic of China (the “PRC”) (the “Listing Business”).

1.2 Reorganization

1.2.1 History of the Group

Prior to the incorporation of the Company and completion of the Group reorganization as described in Note 1.2.2 (the “Reorganization”), the Listing Business was carried out through Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司, “Beijing Fenbi Bluesky”), a limited liability company established in the PRC in February 2015, and its subsidiaries (collectively, the “Operating Entities”). Mr. ZHANG Xiaolong (張小龍) and Mr. WEI Liang (魏亮) started the Listing Business in February 2015 and has served as chief executive officer and chief technology officer of the Listing Business respectively since then.

Prior to the completion of the Reorganization, Beijing Fenbi Bluesky was controlled by Chalk Ltd, an exempted company with limited liability incorporated in the Cayman Islands in February 2018 and a non-wholly owned subsidiary of YUAN Inc, through a series of contractual agreements among Chalk Ltd and its subsidiary, Chalk HK Limited, Beijing Fenbi Zhiwuya Technology Co., Ltd. (北京粉筆知無涯科技有限公司, “Beijing Fenbi Zhiwuya” or “YUAN Inc WFOE”), Beijing Fenbi Bluesky and its subsidiaries and the then registered shareholders of Beijing Fenbi Bluesky (referred as the “YUAN Inc VIE Arrangement”). Mr. LI Yong (李勇) and Mr. LI Xin (李鑫), who are the shareholders and directors of YUAN Inc have served as directors of Chalk Ltd representing the interests of YUAN Inc in the Listing Business.

On 6 September 2021, Mr. ZHANG Xiaolong, Mr. WEI Liang, Mr. LI Yong and Mr. LI Xin (collectively, the “Concert Parties”) entered into a concert party agreement to acknowledge and confirm their acting-in-concert relationship in relation to the Company since 31 December 2020. The Concert Parties, who directly as well as through their respective controlled intermediary entities, namely Chalk Sky Ltd, Chalk World Ltd, Liang Ma Limited, Green Creek Holding Limited and Taurus Fund L.P., collectively held approximately 35.33 % of the total issued share capital of the Company as of 30 June 2022. The Concert Parties have served as directors in the Board of the Company (the “Board”).

1.2.2 Reorganization

In order for the spin-off of the Operating Entities from YUAN Inc and its subsidiaries and transfer the Listing Business to the Company and in preparation for the initial public offering of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganization, pursuant to which the beneficial interests of the companies engaged in the Listing Business were transferred to the Company. Details of the Reorganization are set out below:

- (i) Prior to the Reorganization, Beijing Fenbi Bluesky was controlled by Chalk Ltd through a series of contractual agreements among Beijing Fenbi Bluesky, YUAN Inc WFOE and certain then current registered shareholders.

On 26 November 2020, a registered shareholder of Beijing Fenbi Bluesky, Beijing Yuanli Education Technology Co., Ltd., transferred all its 80% equity interest in Beijing Fenbi Bluesky to Mr. LI Yong, Mr. LI Xin and another employee of YUAN Inc, respectively, who have served as new registered shareholders of Beijing Fenbi Bluesky since then.

Accordingly, on the same date, a set of transitional contractual agreements (“YUAN Inc Transitional VIE Arrangement”) with substantially the same terms as the YUAN Inc VIE Arrangement were entered into by and among Chalk Ltd, Chalk HK Limited, Beijing Fenbi Zhiwuya, Beijing Fenbi Bluesky and its subsidiaries and then existing registered shareholders, in order to reflect such changes in registered shareholders of Beijing Fenbi Bluesky and replace the predecessor YUAN Inc VIE Arrangement.

- (ii) On 14 December 2020, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of USD50,000 divided into 500,000,000 shares with a par value of USD0.0001 each, among which, 477,534,400 ordinary shares were designated as Class A ordinary shares and 22,465,600 ordinary shares were designated as Class B ordinary shares.
- (iii) As the consideration of the spin-off of the Group from YUAN Inc, the Company completed the below share issuance of Class A ordinary shares, Class B ordinary shares and Series A preferred shares of the Company to the respective shareholders of YUAN Inc or their designated representatives on a pro rata basis to reflect and mirror the beneficial ownership of the shareholders of YUAN Inc in the Listing Business.

On 14 December 2020, the Company issued an aggregate of 39,855,500 Class A ordinary shares and 22,465,600 Class B ordinary shares with a par value of USD0.0001 each. On 31 December 2020, the Company issued an aggregate of: (i) 2,628,000 Class A ordinary shares with a par value of USD0.0001 each, and (ii) 113,252,200 Series A preferred shares with a par value of USD0.0001 each. On 3 March 2021, the Company issued 7,913,200 Class A ordinary shares with a par value of USD0.0001 each.

- (iv) On 31 December 2020, in anticipation of the establishment of new corporate structure of the Group, the YUAN Inc Transitional VIE Arrangement was terminated. As a transitional arrangement and part of the Reorganization, on the same date, a confirmation agreement (the "Confirmation Agreement") was entered into by and among the Company, Beijing Fenbi Bluesky and its then current registered shareholders. Pursuant to the Confirmation Agreement, the Company was entitled to control the operation and management of Beijing Fenbi Bluesky and its subsidiaries until the new contractual arrangements were established on 31 July 2021 as described (vii) below.
- (v) On 15 January 2021, Fenbi Education Technology (HK) Limited was incorporated under the laws of Hong Kong with limited liability as a wholly owned subsidiary of the Company.
- (vi) On 9 April 2021 and 22 July 2021, Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司, "Fenbi ShangAn") and Beijing Fenbi ChuXin Technology Co., Ltd. (北京粉筆初心科技有限公司, "Fenbi ChuXin") were established under the laws of the PRC, respectively, as the new wholly foreign owned entities (the "New WFOE") of the Group.
- (vii) On 31 July 2021, after the completion of the establishment of New WFOE of the Company, a series of new contractual arrangements for the business of the Group was entered into among and by, among others, New WFOE, Operating Entities and the respective registered shareholders. The Confirmation Agreement then became invalid upon signing the series of new contractual arrangements.

Pursuant to the series of new contractual arrangements, New WFOE is able to: exercise effective financial and operational control over Operating Entities; exercise equity holders' voting rights of Operating Entities; receive substantially all of the economic interest returns generated by the Operating Entities in consideration for the business support, technical and consulting services provided by New WFOE; obtain an irrevocable and exclusive right to purchase all of equity interests in Operating Entities from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. New WFOE may exercise such options at any time until it has acquired all of equity interests in and/or all assets of the Operating Entities permitted under the PRC laws and regulations. In addition, Operating Entities are not allowed to sell, transfer, or dispose any assets, or make any distributions to their equity holders without prior consent of New WFOE; and obtain a pledge overall of equity interest of Operating Entities from their equity holders to secure performance of the obligations of Operating Entities under the contractual arrangements.

Upon completion of the above Reorganization, the Company became the holding company of the companies now comprising the Group.

- (viii) For the purpose to ensure the narrowly tailored requirements of the Stock Exchange in relation with the contractual arrangement, the Group processed internal restructuring activities of certain onshore companies within the Group. On 30 November 2021, 2% equity interests in Beijing Fenbi Tianxia Culture Communication Co., Ltd. (北京粉筆天下文化傳播有限公司, "Beijing Fenbi Tianxia Culture") and Beijing Fenbi Tianxia Education Technology Co., Ltd. (北京粉筆天下教育科技有限公司, "Beijing Fenbi Tianxia Education") were transferred and immediately after which, each of Beijing Fenbi Tianxia Culture and Beijing Fenbi Tianxia Education was owned as to 98% by Beijing Fenbi Bluesky and as to 2% by an individual shareholder. On 31 December 2021, Fenbi ChuXin entered into agreements to acquire 100% equity interest in Beijing Fenbi Tianxia Culture and Beijing Fenbi Tianxia Education from Beijing Fenbi Bluesky and the individual shareholder.

As at the date of this report, the Company has direct or indirect interests in the following companies:

Name of companies	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held as at					Principal activities	Notes	
			As at 31 December		As at 30 June	As at the date of this report				
			2019	2020	2021	2022				
Directly held by the Company										
Fenbi Education Technology (HK) Limited	Hong Kong/ 15 January 2021/ Limited liability company	HKD 1	—	—	100%	100%	100%	100%	Holding Company	Note a
Indirectly held by the Company										
Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司)	PRC Mainland China/ 25 February 2015/ Limited liability company	RMB10,000,000	100%	100%	100%	100%	100%	100%	Provision of education and training services	Note b
Beijing Fenbi Tianxia Culture Communication Co., Ltd. (北京粉筆天下文化傳播有限公司, "Beijing Fenbi Tianxia Culture")	PRC Mainland China/ 25 March 2016/ Limited liability company	RMB10,000,000	100%	100%	100%	100%	100%	100%	Sales of books	Note b
Beijing Fenbi Tianxia Education Technology Co., Ltd. (北京粉筆天下教育科技有限公司, "Beijing Fenbi Tianxia Education")	PRC Mainland China/ 15 November 2016/ Limited liability company	RMB10,000,000	100%	100%	100%	100%	100%	100%	Provision of education and training services	Note b
Kunming Wuhua District Bilan Education Training School Co., Ltd. (昆明市五華區筆藍教育培訓學校有限公司)	PRC Mainland China/ 27 November 2020/ Limited liability company	RMB500,000	—	100%	—	—	—	—	Provision of education and training services	Note a
Nanjing Youxue Culture Media Co., Ltd. (南京優學文化傳媒有限公司)	PRC Mainland China/ 5 June 2018/ Limited liability company	RMB1,000,000	100%	100%	100%	100%	100%	100%	Provision of education and training services	Note a
Shandong Lancal Tianxia Education Technology Co., Ltd. (山東藍彩天下教育科技有限公司)	PRC Mainland China/ 27 October 2020/ Limited liability company	RMB10,000,000	—	100%	100%	100%	100%	100%	Manufacturing books	Note c
Beijing Shengshi Jintu Culture Communication Co., Ltd. (北京盛世金圖文化傳播有限公司)	PRC Mainland China/ 15 June 2005/ Limited liability company	RMB2,000,000	100%	100%	100%	100%	100%	100%	Sales of books	Note c
Zhejiang Huacai Fenbi Education Technology Co., Ltd. (浙江華才粉筆教育科技有限公司)	PRC Mainland China/ 17 December 2018/ Limited liability company	RMB5,000,000	100%	100%	100%	100%	100%	100%	Provision of education and training services	Note a
Jiangsu Fenbi Training Center Co., Ltd. (江蘇粉筆培訓中心有限公司)	PRC Mainland China/ 15 April 2021/ Limited liability company	RMB10,000,000	—	—	100%	100%	100%	100%	Provision of education and training services	Note c

Name of companies	Place and date of incorporation/ establishment and kind of legal entity	Registered capital	Effective interests held as at					Principal activities	Notes
			As at 31 December		As at 30 June		As at the date of this report		
			2019	2020	2021	2022			
Sichuan Yinmei world Technology Co., Ltd. (四川印美天下科技有限公司)	PRC Mainland China/ 9 August 2021/ Limited liability company	RMB5,000,000	—	—	100%	—	Provision of education and training services	Note a	
Qingdao West Coast New Area Fenbi Tianxia Culture Training School Co., Ltd. (青島西海岸新區粉筆天下文化培訓學校有限公司)	PRC Mainland China/ 4 January 2021/ Limited liability company	RMB400,000	—	—	100%	—	Provision of education and training services	Note a	
Chongqing Fenyong Bixing Education Technology Co., Ltd. (重慶粉優筆行教育科技有限公司)	PRC Mainland China/ 21 January 2021/ Limited liability company	RMB5,000,000	—	—	100%	100%	Provision of education and training services	Note c	
Shanghai Bizhuo Technology Co., Ltd. (上海筆灼科技有限公司)	PRC Mainland China/ 10 June 2021/ Limited liability company	RMB1,000,000	—	—	100%	100%	Provision of technical services	Note a	
Yuxi Bilan Education Training School Co., Ltd. (玉溪筆藍教育培訓學校有限公司)	PRC Mainland China/ 23 March 2021/ Limited liability company	RMB500,000	—	—	100%	100%	Provision of education and training services	Note a	
Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司, "Fenbi ShangAn")	PRC Mainland China/ 9 April 2021/ Limited liability company	USD 10,000,000	—	—	100%	100%	Provision of education and training services	Note a	
Beijing Fenbi ChuXin Technology Co., Ltd. (北京粉筆初心科技有限公司, "Fenbi ChuXin")	PRC Mainland China/ 22 July 2021/Limited liability company	USD 10,000,000	—	—	100%	100%	Provision of education and training services	Note a	
Diqing Bilan Education Training Co., Ltd. (迪慶筆藍教育培訓有限公司)	PRC Mainland China/ 24 August 2021/ Limited liability company	RMB500,000	—	—	100%	100%	Provision of education and training services	Note a	
Tianjin Fenshu Bimeng Training School Co., Ltd. (天津粉書筆夢培訓學校有限公司)	PRC Mainland China/ 23 July 2021/ Limited liability company	RMB5,000,000	—	—	100%	—	Provision of education and training services	Note a	
Anhui Fenbi Tianxia Training School Co., Ltd. (安徽粉筆天下培訓學校有限公司)	PRC Mainland China/ 18 March 2021/ Limited liability company	RMB5,000,000	—	—	100%	100%	Provision of education and training services	Note c	
Beijing Fenbi Planet Technology Co., Ltd. (北京粉筆星球科技有限公司)	PRC Mainland China/ 15 June 2022/ Limited liability company	RMB10,000,000	—	—	—	100%	Provision of education and training services	Note a	

Note a: No audited financial statements have been prepared for these companies as they are not required to issue audited financial statements under statutory requirements of their respective places of incorporation.

Note b: The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with relevant accounting standards applicable to the PRC enterprises were audited by Beijing Dongshen Dingli Accounting Firm Co., Ltd (北京東審鼎立國際會計師事務所有限責任公司) for the year ended 31 December 2019, Beijing Yongkun Accounting Firm (General Partnership) (北京永坤會計師事務所(普通合夥)) for the year ended 31 December 2020 and Beijing Zhongyongyan Certified Public Accountants (General Partnership) (北京中永焱會計師事務所(普通合夥)) for the year ended 31 December 2021.

Note c: The statutory financial statements of these subsidiaries established in the PRC were prepared in accordance with relevant accounting standards applicable to the PRC enterprises were audited by Beijing Zhongyongyan Certified Public Accountants (General Partnership) (北京中永焱會計師事務所(普通合夥)) for the year ended 31 December 2021.

* The English name of certain subsidiaries referred to above represent the best efforts made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business has been conducted by the Operating Entities. Pursuant to the Reorganization, the Listing Business was transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganization and do not meet the definition of a business. The Reorganization is merely a recapitalization of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the Listing Business and, for the purpose of this report, the Historical Financial Information has been prepared on a consolidated basis and is presented using the carrying values of the Listing Business under the Operating Entities for all periods presented.

Inter-company transactions, balances and unrealized gains/losses on transactions between group companies are eliminated on consolidation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with IFRS

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB").

The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss.

The preparation of Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

All effective standards, amendments to standards and interpretations, including IFRS 16 Leases ("IFRS 16") which is mandatory for the financial year beginning 1 January 2019, are consistently applied to the Group throughout the Track Record Period.

(b) Going concern

As at 30 June 2022, the Group's current assets exceeded its current liabilities by RMB352,523,000 and the Group had cash and cash equivalents of RMB1,253,529,000. For the six months ended 30 June 2022, loss for the period was RMB391,770,000, primarily due to the significant fair value losses of financial liabilities at fair value through profit or loss of RMB383,799,000. During the six months ended 30 June 2022, the net cash generated from operating activities was RMB57,377,000.

As at 30 June 2022, the Group had net liabilities of RMB8,938,496,000. Total liabilities of RMB10,931,775 mainly consisted of refund liabilities of RMB685,002,000 which were included in current liabilities and financial liabilities at fair value through profit or loss of RMB9,614,491,000 relating to convertible preferred shares which were included in non-current liabilities because the settlement were not required within the next twelve months from 30 June 2022.

Taking into considerations of the financial resources (i.e. cash and cash equivalents amounting to RMB1,253,529,000) presently available to the Group and the working capital forecast covering a period of not less than twelve months from 30 June 2022, the Group will have sufficient funds to fulfill its financial obligations for the next twelve months from 30 June 2022.

Accordingly, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

2.1.1 Changes in accounting policy and disclosures

(a) *New standards and interpretations have not yet been adopted*

Certain new accounting standards and interpretations have been published and are not effective for financial year beginning on 1 January 2022 and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		<u>Effective for annual periods beginning on or after</u>
IFRS 17	Insurance Contracts	1 January 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	NA

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. Management expects that "IAS 1 (Amendment) 'Classification of Liabilities as Current or Non-current'", after its adoption on 1 January 2023, may cause a reclassification of "convertible preferred shares" from non-current liabilities to current liabilities, as the preferred shares may be converted into ordinary shares at the option of the preferred shareholders at any time. Except for this, no significant impact on the finance performance and positions of the Group is expected when they become effective.

2.2 Principles of consolidation

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 2.2(b)).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in Historical Financial Information.

(b) *Business combinations*

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,

- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM").

The executive directors assess the financial performance and position of the Group and makes strategic decisions. The executive directors, which has been identified as being the chief operating decision maker, consists of the chief executive officer, the chief financial officer and the manager for corporate planning.

2.5 Foreign currency translation

(i) Functional and presentation currency

Items included in the Historical Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The functional currencies of the subsidiaries in mainland of the PRC is Renminbi ("RMB"), while the Company's functional currency is US Dollar ("USD"). As the majority of the assets and operations of the Group are located in the PRC, the Historical Financial Information is presented in RMB.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet

- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On combination, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to consolidated statement of profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

• Electronic Equipment	2–5 years
• Machinery	3–10 years
• Motor Vehicles	4 years
• Furniture, fittings and equipment	2–5 years
• Leasehold Improvement	3–5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Construction-in-progress ("CIP") represents buildings, plant and machinery under construction or pending installation and is stated at cost less accumulated impairment losses (if any). Cost includes the costs of construction and acquisition and capitalised borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to the respective categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

2.7 Intangible assets

Intangible assets represent the computer software.

All the acquired intangible assets except goodwill are stated at cost less accumulated amortization and accumulated impairment losses. Cost represents consideration paid for the rights to use all the intangible assets. The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

• Software	10 years
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Research and development costs

Research expenditure that do not meet the criteria below are recognised as an expense as incurred. Development expenditure are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

2.8 Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group's derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other gains/(losses).

2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.10 Investments and other financial assets**(i) Classification**

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 17 for further details.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Group currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Inventories

Inventories comprise raw materials, work in progress- outsourced and finished goods.

Raw materials and work in progress- outsourced and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 1 year and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 17 for further information about the Group's accounting for trade receivables and note 3.1 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Convertible preferred shares

The Group designated the convertible preferred shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in profit or loss.

Subsequent to initial recognition, the convertible preferred shares are carried at fair value with changes in fair value recognized in profit or loss, except for the portion attributable to credit risk change that should be charged to other comprehensive income.

The convertible preferred shares are classified as non-current liabilities if the convertible preferred shares holders cannot demand the Company to redeem the convertible preferred shares for at least 12 months after the end of the reporting period.

2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.19 Employee benefits

Liabilities for wages and salaries

Liabilities for wages and salaries, including non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current liabilities in the balance sheet.

Pension obligations

The entities within the Group registered in the PRC make employee benefit contributions based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and medical benefit plan organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable to the existing and future retired employees under these plans and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

Housing funds

The PRC employees of the Group are also entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to those funds based on a certain percentage of the employee's salaries. The Group's liabilities in respect of these funds is limited to the contributions payable in each period.

Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

2.20 Share-based payments

Share-based compensation benefits are provided to employees via the Employee Share Option Plan (the "ESOP") adopted by the Company.

Employee Share Option

The fair value of options granted under the ESOP is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions
- excluding the impact of any service and non-market performance vesting conditions (for example, remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The fair value of the liability for cash-settled transactions is re-measured at each reporting date and at the date of settlement. Any changes in fair value are recognized in profit or loss for the period. Equity-settled transactions are not remeasured after the grant date.

Share-based payment transaction among group entities

The grant by the Company of share incentive plan over its equity instruments to the employees of subsidiaries undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiaries undertakings, with a corresponding credit to equity in separate financial statements of the Company.

Modifications and Cancellations

The Group may modify the terms and conditions on which the employee share option plan was granted. If a modification increases the fair value of the equity instruments granted, the incremental fair value granted is included in the measurement of the amount recognized for the services received over the remainder of the vesting year. A grant of the employee share option plan, that is cancelled or settled during the vesting year, is treated as an acceleration of vesting. The Group will immediately recognize the amount that otherwise would have been recognized for services received over the remainder of the vesting year.

2.21 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.22 Revenue recognition

Revenue is recognised when or as the control of the goods or services is transferred to a customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods and services.

Consignment sales are the sales of books of the Group under consignment arrangement with certain distributor which undertakes to sell the books to end customers on behalf of the Group. Revenue is recognised by the Group when the control of the goods is transferred to the end customers.

Contracts with customers may include multiple performance obligations. For such arrangements, the Group allocates revenue to each performance obligation based on its relative standalone selling price. The Group generally determines standalone selling prices based on the prices charged to customers. If the standalone selling price is not directly observable, it is estimated using expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information. Assumptions and estimations have been made in estimating the relative selling price of each distinct performance obligation, and changes in judgements on these assumptions and estimates may impact the revenue recognition.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for goods and services that the Group has transferred to a customer. A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract liability when the payment is made or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The Group recognize a refund liability if the Group receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received (or receivable) for which the entity does not expect to be entitled (i.e., amounts not included in the transaction price). The refund liability (and corresponding change in the transaction price and, therefore, the contract liability) will be updated at the end of each reporting period for changes in circumstances.

The Group's revenue is mainly generated from providing vocational education, training services and selling books.

(a) Providing services

The services that the Group provide to the customers via different platform can be classified as classroom-based tutoring services and online tutoring services. Revenue related to online tutoring services includes tutoring courses and other online learning products (i.e., membership package and challenge exercise). The tutoring courses service via online or classroom-based platforms could also be classified as the non-contractual class and contractual classes based on different refund policies.

Fees are generally received in advance prior to the beginning of certain courses. The Group recognised as revenue at the minimum amount of variable consideration in the transaction price if there is the amount that is not constrained ("The minimum amount"). The minimum amount is recognised proportionately over the relevant period in which the services are rendered.

As for constraint on the amount of variable consideration, the Group will recognise some or all of the amount of variable consideration only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(b) Sales of books

Revenue from sales of books is recognised when or as the control of the products is transferred to a customer. Control of the products is transferred to the customers, when an agreement has been signed with a customer and the required documents have been delivered.

2.23 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees

- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. While the Group revalue its land and buildings that are presented within property, plant and equipment, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. There are no low-value assets during the Track Record Periods.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term (Note 6). Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.26 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.27 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see note 7 below.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 10 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Track Record Periods profit and loss information has been included where relevant to add further context.

<u>Risk</u>	<u>Exposure arising from</u>	<u>Measurement</u>
Market risk — foreign exchange	Recognised financial assets and liabilities not denominated in RMB	Sensitivity analysis
Market risk — interest rate	Interest income/costs from cash and cash equivalents and borrowing as a result of changes in interest rates	Sensitivity analysis
Credit risk	Cash and cash equivalents, contract assets, trade receivables, and prepayment and other receivables	Credit ratings
Liquidity risk	Trade and other payables, lease liabilities, financial liabilities at fair value through profit or loss	Maturity analysis
Price risk	Financial assets at fair value through profit or loss	Sensitivity analysis

The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently has not used any derivative financial instruments to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC with most of the transaction settled in RMB. The functional currencies of the subsidiaries in mainland of the PRC is RMB, while the functional currency of the Company and subsidiaries outside mainland of the PRC is USD. Foreign exchange risk arises from the fluctuation in exchange where the Group's monetary assets are denominated in currency other than functional currency.

The Group has continued to closely track and manage its exposure to fluctuation in foreign exchange rates confronted by the majority of the Group's deposits in foreign currencies during the year. The Group also entered into foreign currency forward contracts, cross currency swap contracts and foreign currency option contracts (the "Foreign Currency Contracts") to hedge certain risk exposures. These Foreign Currency Contracts are related to manage its exposure to fluctuation in foreign exchange rates. No hedge accounting is applied on the Foreign Currency Contracts. These contracts are accounted for as held for trading with gains/ (losses) recognised in profit or loss.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the carrying amounts of the Group's monetary assets that are denominated in currency other than functional currency of the respective group entities are as follows:

	As at 31 December			As at
	2019	2020	2021	30 June
	RMB'000	RMB'000	RMB'000	2022
				RMB'000
Cash and cash equivalents				
RMB (functional currency—USD)	—	—	702,093	272,295

Impact on post tax profit

As shown in the table above, the Group is primarily exposed to changes in USD/RMB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD denominated financial instruments.

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Impact on post tax profit				
USD/RMB exchange rate				
— weaken 5%	(65)	—	(463)	(1,762)
USD/RMB exchange rate				
— strengthen 5%	65	—	463	1,762

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent from changes in market interest rate.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, if the interest rates of cash and cash equivalents had been increased/decreased by 50 basis points with all other variables held constant, the change of the post-tax profit would be disclosed as follows:

	Year ended 31 December			Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Year/period ended				
Net profit decrease/(increase)				
— increase in interest rate	607	1,247	4,350	4,701
— decrease in interest rate	(607)	(1,247)	(4,350)	(4,701)

(iii) Price risk

The Group is exposed to price risk in respect of financial assets held by the Group which are carried at fair value with changes in the fair value recognized in profit or loss.

To manage its price risk arising from investments, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group. Each investment is managed by senior management on a case by case basis. The impact of variable price of investments held by the Group please refer to Note 20.

(b) Credit risk

Credit risk arises from cash and cash equivalents, contract assets, trade receivables, other receivables and lease receivables.

(i) Risk management

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations.

Credit risk is managed on a group basis. The credit risk of the Group's financial assets, which mainly comprise cash and cash equivalents and trade and other receivables, arises from potential default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

All of the Group's trade receivables and other receivables have no collateral.

The Group assessed the credit quality of the counterparties by taking into account their financial position, credit history, forward looking information and other factors. Management also regularly reviews the recoverability of these receivables and follow up the disputes or amounts overdue, if any.

(ii) Impairment of financial assets

The Group has five types of financial assets that are subject to the expected credit loss model:

- cash and cash equivalents
- contract assets

- trade receivables
- other receivables
- lease receivables

Cash and cash equivalents

As at 1 January 2019, 31 December 2019, 2020 and 2021 and 30 June 2022, the Group's cash and cash equivalents were held in state-owned financial institutions, local banks or financial institutions. Management does not expect any losses from non-performance by these counterparties.

Lease receivables

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for lease receivables. The carrying amount and the expected credit loss on lease receivables are insignificant to the Group.

Trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Trade receivables mainly represents the trade receivables from customers for providing vocational education and training services and selling books. The loss allowance for trade receivables at amortised cost was not material during the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified economic policies, macroeconomic conditions, industry risks, probabilities of default and expected operating performance of the debtors and accordingly adjusts the historical loss rates based on expected changes in these factors.

The expected credit loss rate for the provision matrix is for trade receivables which are mainly related to our vocational education and training services and books selling services. As there is no significant change in the business operation of these services, actual loss rates for trade receivables, customer profile and the adjustments for forward-looking macroeconomic data during the Track Record Periods, the change in the expected credit loss rates for the provision matrix is insignificant throughout the Track Record Periods.

The loss allowance for trade receivables and contract assets carried at amortised cost as at 31 December 2019, 2020 and 2021 and 30 June 2022 reconciles to the opening loss allowance as follows:

31 December 2019	Up to 3 months	4 to 6 months	6 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate . . .	0.06% to 3.49%	0.75% to 3.50%	—	—
Gross carrying amount				
— trade receivables .	4,641	150	—	4,791
Gross carrying amount				
— contract assets . .	—	—	—	—
Loss allowance	48	3	—	51
31 December 2020	Up to 3 months	4 to 6 months	6 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate . . .	0.07% to 3.50%	4.52%	—	—
Gross carrying amount				
— trade receivables .	7,244	463	—	7,707
Gross carrying amount				
— contract assets . .	—	—	—	—
Loss allowance	165	20	—	185

31 December 2021	Up to 3 months	4 to 6 months	6 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate . . .	0.08% to 2.44%	2.48% to 3.31%	3.33%	—
Gross carrying amount				
— trade receivables .	4,861	837	72	5,770
Gross carrying amount				
— contract assets . .	20,682	—	—	20,682
Loss allowance	246	20	2	268
30 June 2022	Up to 3 months	4 to 6 months	6 to 12 months	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Expected loss rate . . .	0.08% to 2.41%	2.49%	2.57%	—
Gross carrying amount				
— trade receivables .	17,248	621	582	18,451
Gross carrying amount				
— contract assets . .	60,611	—	—	60,611
Loss allowance	667	15	15	697

The loss allowances for trade receivables and contract assets as at 31 December 2019, 2020 and 2021 and 30 June 2022 reconcile to the opening loss allowances as follows:

	Trade receivables, Contract assets
	RMB'000
Opening loss allowance as at 1 January 2019	34
Increase in the allowance recognised in profit or loss during the year	17
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2019 (Note 5, Note 17)	51
	Trade receivables, Contract assets
	RMB'000
Opening loss allowance as at 1 January 2020	51
Increase in the allowance recognised in profit or loss during the year	134
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2020 (Note 5, Note 17)	185
	Trade receivables, Contract assets
	RMB'000
Opening loss allowance as at 1 January 2021	185
Increase in the allowance recognised in profit or loss during the year	83
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2021 (Note 5, Note 17)	268
	Trade receivables, Contract assets
	RMB'000
Opening loss allowance as at 1 January 2022	268
Increase in the allowance recognised in profit or loss during the period	429
Receivables written off during the period as uncollectible	—
Closing loss allowance as at 30 June 2022 (Note 5, Note 17)	697

Other receivables

The Group applies the IFRS 9 general approach to measuring expected credit losses for all other receivables. The directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the Track Record Periods. Other receivables at the end of each reporting period were mainly deposits from third parties. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

- actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations.

- actual or expected significant changes in the operating results of the counterparty.
- significant changes in the expected performance and behaviour of the counterparty, including changes in the payment status of the counterparty.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where other receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The Group reviews regularly the recoverable amount of each individual receivable to ensure that adequate impairment losses are made for irrecoverable amounts. Over the term of the financial assets, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis.

The Group uses the expected credit loss model to determine the expected loss provision for other receivables. A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision			
Stage 1	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime			
Stage 2	Receivables for which there is a significant increase in credit risk as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses			
Stage 3	Interest and/or principal repayments are 180 days past due	Lifetime expected losses			
		Stage 1	Stage 2	Stage 3	Total
		RMB'000	RMB'000	RMB'000	RMB'000
Other receivables					
At 31 December 2019					
Gross carrying amount		22,718	—	—	22,718
Loss allowance provision		(267)	—	—	(267)
At 31 December 2020					
Gross carrying amount		47,462	304	—	47,766
Loss allowance provision		(963)	(93)	—	(1,056)
At 31 December 2021					
Gross carrying amount		55,626	845	—	56,471
Loss allowance provision		(1,122)	(485)	—	(1,607)
At 30 June 2022					
Gross carrying amount		46,889	749	—	47,638
Loss allowance provision		(545)	(250)	—	(795)

The loss allowance for other receivables carried at amortised cost as at 31 December 2019, 2020 and 2021 and 30 June 2022 reconciles to the opening loss allowance as follows:

	Other receivables
	RMB'000
Opening loss allowance as at 1 January 2019	260
Increase in the allowance recognised in profit or loss during the year	7
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2019 (Note 18)	267
	Other receivables
	RMB'000
Opening loss allowance as at 1 January 2020	267
Increase in the allowance recognised in profit or loss during the year	789
Receivables written off during the year as uncollectible	—
Closing loss allowance as at 31 December 2020 (Note 18)	1,056

	Other receivables
	RMB'000
Opening loss allowance as at 1 January 2021	1,056
Increase in the allowance recognised in profit or loss during the year	581
Receivables written off during the year as uncollectible	(30)
Closing loss allowance as at 31 December 2021 (Note 18)	1,607
	<hr/> <hr/>
	Other receivables
	RMB'000
Opening loss allowance as at 1 January 2022	1,607
Decrease in the allowance recognised in profit or loss during the year	(340)
Receivables written off during the year as uncollectible	(472)
Closing loss allowance as at 30 June 2022 (Note 18)	795
	<hr/> <hr/>

(c) Liquidity risk

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operation and mitigate the effects of fluctuations cash flows. The Company expects to fund its future cash flow needs through internally generated cash flows from operations.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group has cash and cash equivalents of RMB161,783,000, RMB332,650,000, RMB1,159,867,000 and RMB 1,300,117,000 respectively (Note 21) that are expected to generate cash inflows for managing liquidity risk.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows during the Track Record Periods.

Contractual maturities of financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	33,858	—	—	—	33,858
Lease liabilities	30,372	30,519	9,941	—	70,832
	<hr/> 64,230	<hr/> 30,519	<hr/> 9,941	<hr/> —	<hr/> 104,690
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2020					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	36,481	—	—	—	36,481
Lease liabilities	140,412	112,170	72,045	3,746	328,373
Financial liabilities at fair value through profit or loss	—	—	6,390,956	—	6,390,956
	<hr/> 176,893	<hr/> 112,170	<hr/> 6,463,001	<hr/> 3,746	<hr/> 6,755,810
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 December 2021					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	52,356	—	—	—	52,356
Lease liabilities	181,918	120,117	123,447	40,370	465,852
Financial liabilities at fair value through profit or loss	—	—	8,756,164	—	8,756,164
	<hr/> 234,274	<hr/> 120,117	<hr/> 8,879,611	<hr/> 40,370	<hr/> 9,274,372
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 30 June 2022					
Trade and other payable (excluding accrued salaries and bonus, and other tax payable)	47,492	—	—	—	47,492
Lease liabilities	116,992	95,868	87,915	691	301,466
Financial liabilities at fair value through profit or loss	—	—	9,614,491	—	9,614,491
	<hr/> 164,484	<hr/> 95,868	<hr/> 9,702,406	<hr/> 691	<hr/> 9,963,449
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

3.2 Capital management

The Group's primary objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Company's strategy remains constant throughout the Track Record Periods.

The directors review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through raising new debts as well as redemption of the existing debts.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated as total liabilities divided by total assets. The liability-to-asset ratio of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 was as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	468,263	7,945,093	10,376,863	10,931,775
Total assets	645,894	1,368,933	2,142,223	1,993,279
The liability-to-asset ratio	72%	580%	484%	548%

3.3 Fair value estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019				
Assets				
Financial assets at fair value through profit or loss	—	—	280,181	280,181
At 31 December 2020				
Assets				
Financial assets at fair value through profit or loss	—	—	351,639	351,639
Liabilities				
Financial liabilities at fair value through profit or loss . .	—	—	6,390,956	6,390,956
At 31 December 2021				
Assets				
Financial assets at fair value through profit or loss	—	—	10,139	10,139
Liabilities				
Financial liabilities at fair value through profit or loss . .	—	—	8,756,164	8,756,164
At 30 June 2022				
Assets				
Financial assets at fair value through profit or loss	—	—	—	—
Liabilities				
Financial liabilities at fair value through profit or loss . .	—	—	9,614,491	9,614,491

There were no transfers between level 1, level 2 and level 3 during the year ended 31 December 2019, 2020 and 2021, and during the six months ended 30 June 2021 and 2022, respectively.

(b) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items of financial assets at fair value through profit or loss for the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022, respectively:

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2019 . . .	—	—	—
Additions	545,640	200,000	745,640
Settlements	(269,211)	(201,069)	(470,280)
Fair value gains on financial assets at fair value through profit or loss (Note 7) . . .	3,752	1,069	4,821
Closing balance as at 31 December 2019 .	280,181	—	280,181

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2020 . . .	280,181	—	280,181
Additions	1,002,010	70,000	1,072,010
Settlements	(940,133)	(70,196)	(1,010,329)
Fair value gains on financial assets at fair value through profit or loss (Note 7) . . .	9,581	196	9,777
Closing balance as at 31 December 2020 .	351,639	—	351,639

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2021 . . .	351,639	—	351,639
Additions	3,691,338	—	3,691,338
Settlements	(4,052,345)	—	(4,052,345)
Fair value gains on financial assets at fair value through profit or loss (Note 7) . . .	19,507	—	19,507
Closing balance as at 31 December 2021 .	10,139	—	10,139

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2021 . . .	351,639	—	351,639
Additions	2,724,044	—	2,724,044
Settlements	(2,393,493)	—	(2,393,493)
Fair value gains on financial assets at fair value through profit or loss (Note 7) . . .	15,689	—	15,689
Closing balance as at 30 June 2021 (Unaudited)	697,879	—	697,879

	Financial products		
	Wealth management products	Structured deposit	Total
	RMB'000	RMB'000	RMB'000
Opening balance as at 1 January 2022 . . .	10,139	—	10,139
Additions	1,489,960	—	1,489,960
Settlements	(1,505,159)	—	(1,505,159)
Fair value gains on financial assets at fair value through profit or loss (Note 7) . . .	5,060	—	5,060
Closing balance as at 30 June 2022	—	—	—

The fair value of the financial assets at fair value through profit or loss is estimated by discounting the future cash flows at the current market interest rate available for similar financial instruments.

The fair value measurements and movements of the financial liabilities at fair value through profit or loss are in Note 26.

(c) *Valuation inputs and relationships to fair value*

Financial Assets

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see above for the valuation techniques adopted):

Description	Fair value at 31 December			Fair value at 30 June	Unobservable Inputs
	2019	2020	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000	
Wealth management products	280,181	351,639	10,139	—	The estimated weighted average return rates of these products were 2.56% to 4.20% per annum.

The financial assets measured at fair value through profit and loss were investment in wealth management products and investment in structured deposit that usually held for several days or over one year. The increase of estimated weighted average return rates will lead to the higher fair value of the financial products. If the estimated weighted average return rates had increased/decreased by 0.5% with all other variables held constant, the profit before income tax for the year ended 31 December 2019, 2020 and 2021, and for six months ended 30 June 2021 and 2022, would have been approximately RMB24,000, RMB49,000 and RMB98,000, RMB78,000 and RMB25,000 higher/lower respectively.

Financial liabilities

The valuation techniques used to determine the fair value of our level 3 instruments are discounted cash flow method and option-pricing method (Note 26).

(d) *The Group's valuation processes*

For the financial assets and liabilities, including level 3 fair values, the Company's finance department performs the valuations. The finance department reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and finance department annually, in line with the Company's annual reporting dates.

Financial Assets

The valuation technique is discounted cash flows. Future cash flows are estimated and discounted using the expected yield rate with reference to the benchmark yield rate of the financial investment products of banks.

Financial Liabilities

The valuations of financial liabilities at FVTPL as of 31 December 2019, 2020 and 2021 and 30 June 2022, respectively, performed by independent professional valuer, were adopted by the Group for financial reporting purposes, including the convertible prefer shares. The external experts report directly to the CFO.

Changes in level 3 fair values are analysed at the end of each reporting period during the valuation discussion between the CFO and external experts. As part of this discussion the external experts presents a report that explains the reason for the fair value movements.

The following table summarizes the quantitative information about the significant unobservable inputs used in recurring level 3 fair value measurements, together with a quantitative sensitivity analysis as at the end of each of the Track Record Periods.

Description	Fair value at			Significant unobservable inputs	Relationship of significant unobservable inputs to fair value			
	31 December 2020	31 December 2021	30 June 2022		31 December 2020	31 December 2021	30 June 2022	
Convertible preferred shares	RMB'000 6,390,956	RMB'000 8,756,164	RMB'000 9,614,491	Discount rate	15%	13.5%	13.0%	The higher the discount rate, the lower the fair value. 31 December 2020: 1% Increase/(decrease), would decrease/(increase) in fair value by RMB593.7 million/686.8 million. 31 December 2021: 1% Increase/(decrease), would decrease/(increase) in fair value by RMB752.3 million/913.4 million. 30 June 2022: 1% Increase/(decrease), would decrease/(increase) in fair value by RMB 821.0 million/1,024.2 million.
				Discounts for lack of marketability ("DLOM")	20%	10%–20%	10%–20%	The higher the discount for lack of marketability, the lower the fair value. 31 December 2020: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB399.4 million/399.4 million. 31 December 2021: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB517.4 million/517.4 million. 30 June 2022: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB 567.9 million/567.9 million.
				Expected volatility	48.03%	49.68%–50.89%	52.29%–57.60%	The higher the expected volatility, the lower the fair value. 31 December 2020: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB52.8 million/51.6 million. 31 December 2021: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB22.4 million/20.0 million. 30 June 2022: 5% Increase/(decrease), would decrease/(increase) in fair value by RMB 17.8 million/15.2 million.

* There were no significant inter-relationships between unobservable inputs that materially affect fair values.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and judgments concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Contractual arrangements

The Group conducts a substantial portion of the business through the Operating Entities in the PRC due to regulatory restrictions on the foreign ownership in the Group's Operating Entities in the PRC. The Group does not have any equity interest in the Operating Entities. The Directors assessed whether or not the Group has control over the Operating Entities, has rights to variable returns from its involvement with the Operating Entities and has the ability to affect those returns through its power over the Operating Entities. After assessment, the Directors concluded that the Group has control over the Operating Entities as a result of the contractual agreements and accordingly the financial position and their operating results of the Operating Entities are included in the Group's consolidated financial statements throughout the Track Record Periods.

Nevertheless, the contractual agreements may not be as effective as direct legal ownership in providing the Group with direct control over the Operating Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Operating Entities. Significant judgement is involved in determining whether the Group is able to control these entities through these contractual arrangements. The Directors, based on the advice of its legal counsel, consider that the contractual agreements among the Operating Entities and their equity shareholders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

(b) Estimation of the refund liabilities related to tutoring courses service of the Group

The Group recognizes a refund liability if the Group expects to refund some or all of the consideration received from customers.

Based on different refund policies, the tutoring courses service that the Group provide to customers can be classified as non-contractual classes and contractual classes.

In terms of non-contractual classes, under the Group's standard contract terms, customers are usually entitled to refund for the considerations received in relation with undelivered tutoring courses programs and services. The Group estimates the refund liabilities by considering the historical experience. Revenue is recognised for the amount of consideration to which the Group expects to be entitled. A contract liability is recognised for sales in which no revenue has yet been recognised.

In terms of contractual classes, depending on the contract terms specified in the contracts, customers are eligible to obtain a partial or full refund if the customers complete the tutoring courses and fail the exam and meet certain agreed refund conditions specified in the contracts. To calculate the refund liabilities, the Group estimates the refund rates based on historical records of the refund claimed by the customers. The estimated refund rates constitute a reduction of the transaction price when recognizing revenues ratably as tutoring courses programs and services are provided over the relevant period in which the services are rendered. The Group reviews and supervises the refund rates on a periodic basis. When there are no sufficient historical records for the Group's estimation on behaviour-based refunds rate, revenue will not be recognized until uncertainty associated with the variable considerations is resolved, when it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The estimation of the refund liabilities related to tutoring courses service may involve significant judgements related to customer behaviours and performance. New information may become available that causes the Group to change its judgement regarding the adequacy of the refund liabilities. Such changes to refund liabilities will impact revenue recognised in the period that such determination is made.

(c) Recognition of share-based compensation expenses

As disclosed in note 2.20 and 23, an equity-settled share-based compensation plan was adopted by the Group and share options under the plan were granted to the participants. The fair value of the share options is developed based on the fair value of the ordinary shares, which is derived from the equity value of the Group determined under discounted cash flow method performed by an independent valuer. The share-based compensation is to be expensed over the vesting period. Significant estimate on key assumptions, such as discount rate, risk-free interest rate and discount for lack of marketability, are made by the management in applying the valuation model.

(d) Fair value of convertible preferred shares

As disclosed in notes 2.17, 3.3 and 26, the fair values of convertible preferred shares at the dates of issue and balance sheet dates were determined based on the valuation performed by an independent valuer, using valuation techniques. The Group uses its judgments to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group has used discounted cash flow to determine the business value of the Group, followed by option pricing models to determine the fair value of convertible preferred shares, which involved the use of significant accounting estimates and judgments.

5 SEGMENT INFORMATION

The Group's CODM has been identified as executive directors who considers the business from the service perspective.

The CODM review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the CODM have identified the following reportable segments:

- Classroom-based tutoring services: the tutoring services are offered by the Group through classroom teaching to the students who physically attend the lectures in tutoring centers and tutoring bases/campuses.
- Online tutoring services: the tutoring services are offered by the Group via online. This service includes all the tutoring courses services except for the Classroom-based tutoring courses services, and mainly represent online tutoring courses services, membership package, challenge exercise etc.
- Sales of books.

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and distribution expenses, administrative expenses and research and development costs are common costs incurred for these operating segments as a whole and therefore, they are not included in the measure of the segments' performance which is used by the CODM as a basis for the purpose of resource allocation and assessment of segment performance. Net impairment loss on financial assets, other (losses)/gains, net, finance costs, income tax expense and assets and liabilities are also not allocated to individual operating segment.

The revenues from external customers reported to the CODM are measured in a manner consistent with that applied in the consolidated statements of profit or loss. Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in these consolidated financial statements. There were no segment assets and segment liabilities information provided to the CODM for measure of the segments' performance.

The Company is domiciled in the Cayman Islands while the Group mainly operates its business in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. The revenue is mainly generated in the PRC.

The segment information provided to the CODM for the reportable segments for the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022 is as follows:

	Year ended 31 December 2019			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	354,447	657,432	298,192	1,310,071
Inter-segment revenue	—	—	(149,756)	(149,756)
Revenue from external customers	354,447	657,432	148,436	1,160,315
Cost of sales	(264,302)	(261,139)	(98,632)	(624,073)
Gross profit	90,145	396,293	49,804	536,242
	_____	_____	_____	_____
	Year ended 31 December 2020			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	886,500	986,232	518,181	2,390,913
Inter-segment revenue	—	—	(258,839)	(258,839)
Revenue from external customers	886,500	986,232	259,342	2,132,074
Cost of sales	(985,084)	(494,250)	(162,808)	(1,642,142)
Gross profit	(98,584)	491,982	96,534	489,932
	_____	_____	_____	_____
	Year ended 31 December 2021			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	1,617,330	1,396,125	704,636	3,718,091
Inter-segment revenue	—	—	(289,532)	(289,532)
Revenue from external customers	1,617,330	1,396,125	415,104	3,428,559
Cost of sales	(1,622,240)	(680,476)	(284,976)	(2,587,692)
Gross profit	(4,910)	715,649	130,128	840,867
	_____	_____	_____	_____

	Six months ended 30 June 2021			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)				
Segment revenue	1,005,464	678,809	400,182	2,084,455
Inter-segment revenue	—	—	(199,038)	(199,038)
Revenue from external customers	1,005,464	678,809	201,144	1,885,417
Cost of sales	(1,024,108)	(394,872)	(143,894)	(1,562,874)
Gross profit	(18,644)	283,937	57,250	322,543
	Six months ended 30 June 2022			
	Classroom-based tutoring services	Online tutoring services	Sales of books	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue	523,534	716,831	288,750	1,529,115
Inter-segment revenue	—	—	(78,083)	(78,083)
Revenue from external customers	523,534	716,831	210,667	1,451,032
Cost of sales	(333,318)	(284,840)	(143,563)	(761,721)
Gross profit	190,216	431,991	67,104	689,311

For online tutoring services and classroom-based tutoring services, the timing of revenue recognition is over time. For sales of physical books, the timing of revenue recognition is when the performance obligations of sales and delivery of goods are satisfied at a point in time.

The reconciliation of gross profit to profit before income tax of individual year during the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022 is shown in the consolidated statements of profit or loss.

For the year ended 31 December 2019, 2020 and 2021, and for the six months ended 30 June 2021 and 2022, the Group's customer base is diversified and none of customer with whom transactions have exceeded 10% of the Group's revenues, respectively.

As of 31 December 2019, 2020 and 2021 and 30 June 2022, substantially all of the non-current assets other than financial instruments and deferred tax assets of the Group were located in the PRC.

Contract liabilities and contract assets

The Group has recognised the following contract liabilities, which represented the unsatisfied performance obligation and contract assets as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the contract liabilities and contract assets will be expected to be recognised within one year:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Contract assets relating to certain program	—	—	20,682	60,611
Loss allowance	—	—	(154)	(451)
Contract assets	—	—	20,528	60,160
Contract liabilities	109,314	156,103	169,194	157,618

(i) Revenue recognised in relation to contract liabilities

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	71,069	100,635	131,075	116,982
Contract liabilities	—	—	—	—

(ii) Unsatisfied contracts

The majority of contract liabilities as at 31 December 2019, 2020 and 2021 and 30 June 2022 were expected to be recognised within one year. As the contract terms with customers usually within 12 months, the Group applied the practical expedient as permitted under IFRS 15 not to disclose the transaction price allocated to unsatisfied performance obligations as at 31 December 2019, 2020 and 2021 and 30 June 2022.

6 OTHER INCOME

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants	—	564	8	—	864
Rental and sub-lease income	5,330	11	3,089	26	3,713
VAT refund and VAT reduction	2,180	8,936	21,617	9,588	6,470
Others	313	265	291	286	1,113
	<u>7,823</u>	<u>9,776</u>	<u>25,005</u>	<u>9,900</u>	<u>12,160</u>

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net fair value losses on derivatives (b)	—	—	—	—	(13,388)
Fair value gains on financial assets at fair value through profit or loss	4,821	9,777	19,507	15,689	5,060
Net gains/(losses) related to early termination of lease agreements and the disposal of related leasehold improvements (a)	(303)	49	(31,299)	1,865	(14,392)
Net gains/(losses) on disposal of property, plant and equipment	1	(32)	(3,660)	5	(6,781)
Donation	(575)	(6,433)	(29)	(10)	(54)
Net foreign exchange gains/(losses)	—	—	12,261	—	(43,919)
Others	795	193	4,446	812	6,356
	<u>4,739</u>	<u>3,554</u>	<u>1,226</u>	<u>18,361</u>	<u>(67,118)</u>

(a) The net losses of RMB31,299,000 and RMB 14,392,000 for the year ended 31 December 2021 and the six months ended 30 June 2022 were mainly related to the process of the Group starting in the fourth quarter of 2021 to close part of its local operational hubs in order to streamline its national offline network.

(b) For the six months ended 30 June 2022, the Group entered into certain Foreign Currency Contracts. As at 30 June 2022, a loss due to the settlement of the foreign exchange forward contract and foreign exchange swap contracts amounting to RMB13,388,000 was recognized.

8 EXPENSES BY NATURE

Notes	Year ended 31 December			Six months ended 30 June		
	2019	2020	2021	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000	
Employee benefit expenses	9	338,376	1,173,348	2,719,223	1,411,662	771,313
Cost of course materials.	19	205,214	330,501	380,139	257,029	135,079
Human resource outsourcing and other labour costs		151,818	325,834	225,575	146,745	76,615
Promotion expenses		41,853	103,882	142,813	87,479	31,928
Depreciation of right-of-use assets	15	21,565	72,426	214,389	98,418	68,035
Logistic expenses		43,651	64,675	85,278	49,370	44,056
Lease expenses	15	80,669	272,798	372,847	256,718	82,525
Classroom consumables		7,647	51,775	70,493	55,914	11,712
Meal expenses provided to students		25,062	45,301	41,084	32,043	12,728
Travel expenses		8,769	51,414	68,053	43,152	10,587
Office expenses		6,951	46,805	70,341	54,508	3,990
Depreciation of property, plant and equipment	13	5,562	18,879	78,000	39,881	31,495
Amortisation for intangible assets	14	22	79	98	44	55
Services fee for cloud storage		6,867	10,528	13,653	6,027	9,058
Property management costs		3,436	10,455	33,861	13,059	11,202
Tax and surcharge		3,991	4,728	17,635	7,640	8,053
Charges for licensed payment institutions		8,068	22,129	26,996	18,508	9,090
Listing expenses		—	—	12,518	—	20,415
Others		27,284	50,212	125,666	61,916	27,197
		<u>986,805</u>	<u>2,655,769</u>	<u>4,698,662</u>	<u>2,640,113</u>	<u>1,365,133</u>

9 EMPLOYEE BENEFIT EXPENSE

Notes	Year ended 31 December			Six months ended 30 June		
	2019	2020	2021	2021	2022	
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000	
Wages, salaries and bonus		245,762	912,369	1,753,687	960,979	532,778
Pension costs — defined contribution plans	(a)	16,130	4,584	122,290	71,684	37,833
Other social security costs		25,230	93,700	200,936	115,999	68,412
Share based payment	23	21,171	121,637	415,379	172,303	83,188
Other employee welfare		30,083	41,058	226,931	90,697	49,102
Total employee benefit expenses		<u>338,376</u>	<u>1,173,348</u>	<u>2,719,223</u>	<u>1,411,662</u>	<u>771,313</u>

Employee benefit expenses changed in the consolidated statements of profit or loss are as follow:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	123,798	670,139	1,439,906	792,146	382,168
Administrative expenses	57,062	179,611	547,687	274,861	117,686
Selling and distribution expenses	59,721	208,378	460,022	238,588	197,706
Research and development costs	97,795	115,220	271,608	106,067	73,753
	<u>338,376</u>	<u>1,173,348</u>	<u>2,719,223</u>	<u>1,411,662</u>	<u>771,313</u>

- (a) During the year ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022, there were no forfeited contributions under the Group's defined contribution plans.

Pension costs — defined contribution plans in 2020 was significantly lower, primarily due to the reduction and exemption policy of pension by the local municipal government due to COVID-19 outbreak in 2020.

- (b) Five highest paid individuals

The five individuals whose emoluments are the highest in the Group for the Track Record Periods include nil, nil, 1, nil, nil director whose emoluments are reflected in the analysis shown in Note 34. The emoluments payable to the remaining 5, 5, 4, 5, 5 individuals during the Track Record Periods respectively are as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonus	5,094	649	5,646	1,564	3,784
Pension costs — defined contribution plans	223	8	158	102	143
Other social security costs	346	70	231	156	191
Share based payment	6,520	71,340	176,033	125,277	49,089
Other employee welfares	—	—	—	—	—
Total employee benefit expense	12,183	72,067	182,068	127,099	53,207

The emoluments fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Emolument bands (in HK dollar)					
HK1,000,001 to HK1,500,000	—	—	—	—	—
HK\$1,500,001 — HK\$2,000,000.	2	—	—	—	—
HK\$2,000,001 — HK\$2,500,000.	—	—	—	—	—
HK\$2,500,001 — HK\$3,000,000.	—	—	—	—	—
Over HK\$3,000,001.	3	5	4	5	5
	5	5	4	5	5

10 FINANCE COSTS, NET

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income:					
— Interest received	1,153	1,357	2,229	1,317	2,508
— Net foreign exchange gains	—	—	75	—	—
	1,153	1,357	2,304	1,317	2,508
Finance costs:					
— Finance cost on borrowings	—	—	—	—	(202)
— Finance cost on lease liabilities	(1,418)	(7,236)	(20,003)	(11,217)	(7,542)
— Net foreign exchange losses	(1,747)	—	—	—	(3,066)
	(3,165)	(7,236)	(20,003)	(11,217)	(10,810)
Finance costs, net	(2,012)	(5,879)	(17,699)	(9,900)	(8,302)

11 INCOME TAX EXPENSE/(CREDIT)

This note provides an analysis of the Group's income tax expense, and shows what amounts are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Group's tax position.

(a) Income tax expense/(credit)

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	29,939	7,325	12,857	3,377	7,200
Deferred income tax	27	(40,020)	(24,815)	(28,146)	23,321
Income tax expense/(credit)	29,966	(32,695)	(11,958)	(24,769)	30,521

(i) Cayman Islands corporate income tax

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and, accordingly, is exempted from local income tax.

(ii) Hong Kong profits tax

No provision for Hong Kong profit tax was provided as the Group did not have assessable profits in Hong Kong during the Track Record Periods.

(iii) PRC corporate income tax ("CIT")

CIT provision was made on the estimated assessable profits of entities within the Group incorporated in the PRC and was calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% for the year ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022.

A subsidiary of the Group in the PRC is approved as High and New Technology Enterprise, and accordingly, it was subject to a reduced preferential CIT rate of 15% for the year ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022 according to the applicable CIT Law. Two subsidiaries of the Group in the PRC are approved as Small and Micro Enterprises, and accordingly, they were subject to a reduced preferential CIT rate of 5% for the year ended 31 December 2019, 2020 and 2021 and for the six months ended 30 June 2021 and 2022 according to the applicable CIT Law.

(b) Numerical reconciliation of income tax expense/(credit) to prima facie tax payable

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before income tax		184,036	(517,167)	(2,057,929)	(970,282)	(361,249)
Tax expense calculated at applicable statutory tax rate	(a)	46,010	(129,291)	(314,177)	(185,489)	15,570
Preferential tax rates on income of certain subsidiaries		(17,857)	11,985	39,229	38,398	(15,005)
Expenses not deductible for taxation purposes	(b)	6,363	32,940	104,707	43,156	24,107
Temporary difference for which no deferred tax asset was recognised		209	888	3,394	1,976	862
Previously unrecognised tax losses now recouped to reduce current tax expense		(1,426)	—	(7)	(22)	(289)
Additional deduction of research and development expense		(8,048)	(6,111)	(11,278)	(5,536)	(6,360)
Tax losses for which no deferred tax asset was recognised		4,715	56,894	166,174	82,748	11,636
		29,966	(32,695)	(11,958)	(24,769)	30,521

(a) Taxation has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(b) Expenses not deductible for taxation purposes during the Track Record Period were mainly share-based compensation accrued by Employee Share Option Plan.

(c) During the year ended 31 December 2021 and period ended 30 June 2022, the Company incurred a loss of approximately RMB804,846,000 and RMB409,798,000, respectively. Since the Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act and is exempted from local income tax, the related tax calculated based on the losses incurred by the Company was nil.

12 EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing:

The profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year

	For the year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Profit / (Loss) attributable to equity holders of the Company (RMB'000) . .	154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
Weighted average number of ordinary shares in issue (thousands) (Note a, Note b)	728,623	728,623	728,623	728,623	728,623
Basic earnings /(losses) per share (RMB Yuan)	0.21	(0.66)	(2.81)	(1.30)	(0.54)

(b) Diluted

Diluted earnings per share is calculated by dividing:

The profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year

	For the year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Profit/(Loss) attributable to equity holders of the Company (RMB'000) . .	154,070	(484,472)	(2,045,971)	(945,513)	(391,770)
Weighted average number of outstanding ordinary shares (thousands) (Note a, Note b)	728,623	728,623	728,623	728,623	728,623
Adjustments for:					
Weighted average number of share options (thousands) (Note b)	35,420	—	—	—	—
Weighted average number of ordinary shares for diluted earnings per share (thousands)	764,043	728,623	728,623	728,623	728,623
Diluted earnings/(losses) per share (RMB Yuan)	0.20	(0.66)	(2.81)	(1.30)	(0.54)

Note a: When calculating the basic and diluted earnings per share, the ordinary shares in Note 1.2.2 (iii) was treated as if it has been in issuance since 1 January 2019.

Note b: In the calculation of weighted average number of ordinary shares outstanding for the years ended 31 December 2019, 2020 and 2021 and the six months ended 30 June 2022 and 2021, the share split occurred on 20 December 2022 had been adjusted retrospectively as if those share split had been occurred since 1 January 2019.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. As the Group incurred losses for the years ended 31 December 2020 and 2021 and for the six months ended 30 June 2021 and 2022, respectively, the potential ordinary shares were not included in the calculation of dilutive loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for years ended 31 December 2020 and 2021 and for the six months ended 30 June 2021 and 2022 are same as basic loss per share for the respective years.

13 PROPERTY, PLANT AND EQUIPMENT

	Machinery	Electronic equipment	Motor Vehicles	Furniture, fittings and equipment	Leasehold Improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended						
31 December 2019						
Opening net book amount . . .	—	8,381	264	1,442	1,732	11,819
Additions	—	3,513	1,527	615	7,161	12,816
Disposals	—	(5)	—	—	—	(5)
Depreciation charge	—	(3,415)	(128)	(636)	(1,383)	(5,562)
Closing net book amount . . .	—	8,474	1,663	1,421	7,510	19,068
As at						
31 December 2019						
Cost	—	16,384	1,798	2,870	16,048	37,100
Accumulated depreciation . . .	—	(7,910)	(135)	(1,449)	(8,538)	(18,032)
Net book amount	—	8,474	1,663	1,421	7,510	19,068
Year ended						
31 December 2020						
Opening net book amount . . .	—	8,474	1,663	1,421	7,510	19,068
Additions	—	52,538	11,887	9,814	59,806	134,045
Disposals	—	(4)	(656)	—	—	(660)
Depreciation charge	—	(9,227)	(1,403)	(673)	(7,576)	(18,879)
Closing net book amount . . .	—	51,781	11,491	10,562	59,740	133,574
As at 31						
December 2020						
Cost	—	68,918	12,949	12,684	75,854	170,405
Accumulated depreciation . . .	—	(17,137)	(1,458)	(2,122)	(16,114)	(36,831)
Net book amount	—	51,781	11,491	10,562	59,740	133,574
Year ended						
31 December 2021						
Opening net book amount . . .	—	51,781	11,491	10,562	59,740	133,574
Additions	60,270	40,317	20,010	16,670	83,173	220,440
Disposals	(781)	(12,568)	(3,112)	(2,000)	(26,448)	(44,909)
Depreciation charge	(3,026)	(27,686)	(6,434)	(2,758)	(38,096)	(78,000)
Closing net book amount . . .	56,463	51,844	21,955	22,474	78,369	231,105
As at 31 December 2021						
Cost	59,463	91,648	28,963	27,156	133,387	340,617
Accumulated depreciation . . .	(3,000)	(39,804)	(7,008)	(4,682)	(55,018)	(109,512)
Net book amount	56,463	51,844	21,955	22,474	78,369	231,105

	Machinery	Electronic equipment	Motor Vehicles	Furniture, fittings and equipment	Leasehold Improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
Six months ended 30 June 2021						
Opening net book amount	—	51,781	11,491	10,562	59,740	133,574
Additions	37,072	38,858	18,882	10,674	60,351	165,837
Disposals	—	(16)	(735)	(1,619)	—	(2,370)
Depreciation charge	(493)	(12,049)	(2,487)	(968)	(23,884)	(39,881)
Closing net book amount	36,579	78,574	27,151	18,649	96,207	257,160
As at 30 June 2021						
Cost	37,072	107,757	31,096	21,738	136,205	333,868
Accumulated depreciation	(493)	(29,183)	(3,945)	(3,089)	(39,998)	(76,708)
Net book amount	36,579	78,574	27,151	18,649	96,207	257,160
Six months ended 30 June 2022						
Opening net book amount	56,463	51,844	21,955	22,474	78,369	231,105
Additions	394	2,337	1,887	404	3,940	19,394
Disposals	(1,987)	(21,567)	(8,004)	(2,910)	(20,190)	(54,658)
Depreciation charge	(2,949)	(9,304)	(3,317)	(613)	(15,312)	(31,495)
Closing net book amount	51,921	23,310	12,521	19,355	46,807	164,346
As at 30 June 2022						
Cost	57,721	59,377	20,192	23,947	96,120	267,789
Accumulated depreciation	(5,800)	(36,067)	(7,671)	(4,592)	(49,313)	(103,443)
Net book amount	51,921	23,310	12,521	19,355	46,807	164,346

- (a) No property, plant and equipment of the Group were pledged as security as at 31 December 2019, 2020 and 2021 and 30 June 2022.
- (b) Depreciation charges were charged to the consolidated statements of profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	732	3,569	20,637	8,142	11,092
Administrative expenses	2,729	12,129	45,542	28,412	16,813
Selling expenses	401	1,631	9,918	2,668	2,993
Research and development expenses	1,700	1,550	1,903	659	597
	5,562	18,879	78,000	39,881	31,495

14 INTANGIBLE ASSETS

	Computer software
	RMB'000
Year ended 31 December 2019	
Opening net book amount	128
Additions	664
Amortisation	(22)
Closing net book amount as at 31 December 2019	770
At 31 December 2019	
Cost	793
Accumulated depreciation	(23)
Net book amount	770
Year ended 31 December 2020	
Opening net book amount	770
Additions	—
Amortisation	(79)
Closing net book amount as at 31 December 2020	691
At 31 December 2020	
Cost	793
Accumulated depreciation	(102)
Net book amount	691
Year ended 31 December 2021	
Opening net book amount	691
Additions	289
Amortisation	(98)
Closing net book amount as at 31 December 2021	882
At 31 December 2021	
Cost	1,082
Accumulated depreciation	(200)
Net book amount	882
Six months ended 30 June 2021 (Unaudited)	
Opening net book amount	691
Additions	266
Amortisation	(44)
Closing net book amount as at 30 June 2021	913
At 30 June 2021 (Unaudited)	
Cost	1,059
Accumulated depreciation	(146)
Net book amount	913
Six months ended 30 June 2022	
Opening net book amount	882
Additions	—
Amortisation	(55)
Closing net book amount as at 30 June 2022	827
At 30 June 2022	
Cost	1,082
Accumulated depreciation	(255)
Net book amount	827

Amortisation of the Group's intangible assets were charged in the following accounts in the consolidated statement of profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Administrative expenses	22	79	98	44	55

15 LEASES

This note provides information for leases where the Group is a lessee.

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Right-of-use assets				
Buildings	69,983	338,120	429,680	269,570
Lease liabilities				
Current	(26,456)	(128,752)	(167,784)	(106,778)
Non-current	(40,577)	(178,563)	(267,904)	(172,296)
	(67,033)	(307,315)	(435,688)	(279,074)

Additions to the right-of-use assets during the year 2019, 2020, 2021 and 30 June 2022 were RMB63,690,000, RMB340,563,000, RMB460,437,000 and RMB17,210,000.

(ii) Amounts recognised in the consolidated statements of profit or loss

The consolidated statements of profit or loss includes the following amounts relating to leases:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Depreciation charge of right-of-use assets	21,565	72,426	214,389	98,418	68,035
Interest expense (included in finance cost)	1,418	7,236	20,003	11,217	7,542
Expense relating to short-term leases	80,669	272,798	372,847	256,718	82,525

The total cash outflow for short-term leases during the year 2019, 2020, 2021, 30 June 2021 and 30 June 2022 were RMB80,669,000, RMB272,798,000, RMB372,847,000, RMB256,718,000 and RMB82,525,000.

The total cash outflow for leases except for short-term leases during the year 2019, 2020, 2021, 30 June 2021 and 30 June 2022 were RMB22,176,000, RMB100,281,000, RMB157,904,000, RMB101,522,000 and RMB49,018,000.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, teaching bases and dormitory buildings. Rental contracts are typically made for fixed periods of 1 year to 10 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leased assets may not be used as security for borrowing purposes.

16 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Financial assets at amortised cost				
Trade receivables	4,740	7,522	5,656	18,205
Prepayments and other receivables (excluding non-financial assets)	26,919	50,360	84,107	60,685
Cash and cash equivalents	161,783	332,650	1,159,867	1,253,529
Financial assets at fair value through profit or loss	280,181	351,639	10,139	—
	<u>473,623</u>	<u>742,171</u>	<u>1,259,769</u>	<u>1,332,419</u>
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables (excluding tax payable and accrued salaries and bonuses)	33,858	36,481	52,356	47,492
Lease liabilities	67,033	307,315	435,688	279,074
Financial liabilities at fair value through profit or loss	—	6,390,956	8,756,164	9,614,491
	<u>100,891</u>	<u>6,734,752</u>	<u>9,244,208</u>	<u>9,941,057</u>

The Group's exposure to various risks associated with the financial instruments is discussed in note 3. The maximum exposure to credit risk at the end of the Track Record Periods is the carrying amount of each class of financial assets mentioned above.

17 TRADE RECEIVABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables from contracts with customers	4,791	7,707	5,770	18,451
Loss allowance	(51)	(185)	(114)	(246)
	<u>4,740</u>	<u>7,522</u>	<u>5,656</u>	<u>18,205</u>

- (a) Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.
- (b) The credit terms given to trade customers are determined on an individual basis with normal credit period ranging from 30 to 60 days.

The aging analysis of the trade receivables based on invoice date were as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Up to 1 month	3,159	4,508	2,674	9,477
1 to 2 months	457	1,392	1,461	2,246
2 to 3 months	1,025	1,344	726	5,525
3 to 6 months	150	463	837	621
6 to 12 months	—	—	72	582
	<u>4,791</u>	<u>7,707</u>	<u>5,770</u>	<u>18,451</u>

(c) Impairment and risk exposure

The Group applies the IFRS 9 general approach to measuring expected credit losses for other receivables and applies the IFRS 9 simplified approach to trade receivables. The loss allowance for trade receivables at amortised cost was not material during the year ended 31 December 2019, 2020 and 2021, and during the six months ended 30 June 2021 and 2022. Note 3.1(b) provides for details about the calculation of the allowance.

18 PREPAYMENTS AND OTHER RECEIVABLES

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current portion:				
Receivables from a subsidiary	—	—	1,526,904	1,598,866

The Group

	Note	As at 31 December			As at 30 June
		2019	2020	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion:					
Prepayments for property, plant and equipment		331	1,857	420	1,531
Long-term receivables related to sub-lease income		—	—	2,663	1,262
Deposits receivable		10,909	11,891	32,214	17,774
Loss allowance.		—	—	(63)	(29)
		11,240	13,748	35,234	20,538
Current portion:					
Advances to suppliers.		9,196	35,653	29,146	20,844
Prepayment for taxes		13,334	378	3,955	2,251
Deposits receivable		1,969	25,788	15,686	17,957
Current portion of long-term receivables . .		—	—	3,357	4,626
Loan to third party	(a)	5,000	—	—	—
Input VAT recoverable		4,467	3,010	23,220	8,122
Amount due from related parties	33(c)	4,000	640	2,993	152
Others.		7,794	12,734	20,314	22,699
Loss allowance.		(267)	(1,056)	(1,544)	(766)
		45,493	77,147	97,127	75,885
		56,733	90,895	132,361	96,423

Note (a): The opening balance of RMB5,000,000 was unsecured with an annual interest rate of 8% and the balance was repaid in the year of 2020.

19 INVENTORIES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Finished goods	27,053	51,416	51,134	58,405
Raw materials.	17,114	13,134	16,980	17,393
Work in progress	8,469	9,299	19,083	12,934
	52,636	73,849	87,197	88,732

The costs of individual items of inventory are determined using weighted average costs.

The cost of inventories recognized as an expense and included in cost of sales for the year ended 31 December 2019, 2020, 2021, period ended 30 June 2021 and 2022 amounted to RMB205,214,000, RMB330,501,000, RMB380,139,000, RMB257,029,000 and RMB135,079,000, respectively (Note 8).

Included in the finished goods related to consignment arrangement were RMB1,511,000, RMB3,287,000, RMB3,481,000 and RMB 1,678,000 as of 31 December 2019, 2020 and 2021 and 30 June 2022.

20 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Wealth management products (see note 3.3)	280,181	351,639	10,139	—

(i) Amounts recognised in profit or loss

During the year, the following gains were recognised in profit or loss:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fair value gains on financial assets at fair value through profit or loss (see note 7)	4,821	9,777	19,507	15,689	5,060

(ii) Risk exposure and fair value measurements

Information about the Group's exposure to price risk is provided in note 3.1. For information about the methods and assumptions used in determining fair value see note 3.3.

21 CASH AND CASH EQUIVALENTS

The Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
Cash at bank and in hand				
— USD	—	—	16,434	16,751
	—	—	16,434	16,751

The Group

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents				
Cash at bank and in hand				
— RMB	128,637	260,898	441,138	963,214
— USD	—	—	702,093	272,295
— HKD	—	—	—	1
Cash at licensed payment institutions				
— RMB	33,146	71,752	16,636	18,019
— USD	—	—	—	—
	161,783	332,650	1,159,867	1,253,529

22 SHARE CAPITAL AND SHARE PREMIUM

Company	Number of ordinary shares		Nominal value of ordinary shares		
			USD'000		
Authorized shares of USD 0.0001 as at 14 December 2020, 31 December 2020, 31 December 2021 and 30 June 2022	500,000,000		50		
	Number of ordinary shares (Thousands)	Nominal value of ordinary shares USD'000	Equivalent nominal value of ordinary shares RMB'000	Share premium RMB'000	Total share capital and share premium RMB'000
Issued:					
Ordinary shares of USD0.0001 each					
As of 14 December 2020 (date of incorporation of the Company) (Note a).	62,321	6,232	40	2,214,602	2,214,642
Addition (Note a)	2,628	263	2	93,389	93,391
As at 31 December 2020	64,949	6,495	42	2,307,991	2,308,033
Add:					
Issue of ordinary shares (Note b)	7,913	791	5	340,404	340,409
As at 31 December 2021 and 30 June 2022	72,862	7,286	47	2,648,395	2,648,442

Note a: On 14 December 2020, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of USD50,000 divided into 500,000,000 shares with a par value of USD0.0001 each, among which, 477,534,400 ordinary shares were designated as Class A ordinary shares and 22,465,600 ordinary shares were designated as Class B ordinary shares.

On 14 December 2020, the Company issued an aggregate of 39,855,500 Class A ordinary shares and 22,465,600 Class B ordinary shares with a par value of USD0.0001 each. On 31 December 2020, the Company issued an aggregate of 2,628,000 Class A ordinary shares with a par value of USD0.0001 each.

Note b: On 3 March 2021, the Company issued 7,913,200 Class A ordinary shares with a par value of USD0.0001 each.

23 SHARES BASED PAYMENTS

(i) Employee Option Plan

In June 2016, the Group approved the 2016 Beijing Fenbi Bluesky Employee Stock Option Plan (the "2016 Plan") that permitted the grant of share options as equity-based awards to the employees and consultants (the "Eligible Person") with the purpose of motivating and rewarding certain employees and consultants. The 2016 Plan was valid and effective for 10 years from the approval.

Subsequently in August 2019, the 2016 Plan was superseded in its entirety by the "2019 Employee Stock Option Plan" (the "2019 Plan") of which there was no change in the detailed terms, except that the issuer of shares under the 2019 Plan changed from Beijing Fenbi Bluesky to Chalk Ltd. This change constituted a modification of the 2016 Plan without material change to the total fair value of the options as at the modification date. The purpose of 2019 Plan was the same as the 2016 Plan. The 2019 Plan was valid and effective for 10 years from the approval.

In anticipation of the Listing and as part of the reorganization, in December 2020, the Company adopted the Pre-IPO Share Option Scheme (the "Pre-IPO ESOP") to entirely replace the previous share incentive plans of the Group. The substantial change is that the issuer of shares under ESOP changed from Chalk Ltd to the Company and there is no other substantial change in the terms. This change constituted a modification of the ESOP and the total fair value of the options are decreased due to the reorganization and the respective valuation of ordinary shares and preferred shares, which would be accounted as an unbeneficial modification. The purpose of Pre-IPO ESOP is the same as previous share incentive plans. The Pre-IPO ESOP is valid and effective for 10 years from the approval.

Under all ESOPs adopted by the Group, participants are granted options which only vest if the service condition are met. The exercise price is nil. Participation in the ESOP is at the Board's discretion. The share options shall be subject to different vesting service periods from the vesting commencement date, which is the grant date of options.

As prescribed in the share option agreements and the ESOPs:

- For vesting schedule of service period for three years, i) one-third (1/3) of the granted share options are vested on each anniversary from the vesting commencement date; or ii) 25% of the granted share options are vested on the second anniversary from the vesting commencement date and 30% and 45% of granted share options are vested on the same day in the following two subsequent years, respectively.
- For vesting schedule as four years, i) 25% of the granted share options are vested on each anniversary from the vesting commencement date; or ii) the granted share options are vested on the fourth anniversary of the vesting commencement date.
- For vesting schedule that vested immediately upon granted, granted share options are vested upon the vesting commencement date.

In the event a participant's employment or service with the Group is terminated for any reason, the Group shall have a right to repurchase any shares purchased by such participant upon exercise of option or the vested options at a price calculated based on the fair market value on that date as defined in the option agreement.

Movements in the number of share options granted to participants are below:

	<u>Number of share options</u>
Outstanding as of 1 January 2019	3,820,000
Granted during the year	3,174,850
Outstanding as of 31 December 2019	6,994,850
— Exercisable as of 31 December 2019	5,269,147
Outstanding as of 1 January 2020	6,994,850
Granted during the year	4,361,825
Exercised during the year	(540,000)
Outstanding as of 31 December 2020	10,816,675
— Exercisable as of 31 December 2020	8,114,851
Outstanding as of 1 January 2021	10,816,675
Granted during the year	9,729,770
Forfeited during the year	(216,500)
Settled during the year (Note a)	(2,532,250)
Outstanding as of 31 December 2021	17,797,695
— Exercisable as of 31 December 2021	13,123,797
Outstanding as of 1 January, 2021	10,816,675
Granted during the period	2,661,770
Forfeited during the period	(33,500)
Settled during the period (Note a)	(2,337,500)
Outstanding as of 30 June, 2021 (Unaudited)	11,107,445
— Exercisable as of 30 June, 2021	8,245,424
Outstanding as of 1 January 2022	17,797,695
Granted during the period	781,570
Forfeited during the period	(177,913)
Outstanding as of 30 June 2022	18,401,352
— Exercisable as of 30 June 2022	14,943,543

The total expenses recognized in profit or loss in respect of the share-based compensations under the share incentive plans are RMB 21,171,000, RMB 121,637,000, RMB 415,379,000, RMB 172,303,000 and RMB 83,188,000 for the years ended 31 December 2019, 2020, 2021, and six months ended 30 June 2021 and 2022, respectively. (Note 9)

Note a: During April to July 2021, in order to retain certain core employees of the Group, the Company approved their applications to the Company to repurchase part of their vested share options, which was an aggregate of 2,532,250 options. The repurchase price is based on the fair value of the shares in the latest financing of the Company. The payment made to the holders of these share options on the repurchase has been accounted for as a deduction from equity of RMB 112,983,000 and the difference between the repurchase price and the fair value of these share options as at the respective settlement date of approximately RMB 89,837,000 was recognized in the profit or loss.

(ii) Fair value of share options

As the exercise price of share option is nil, the fair value of the share options is developed based on the spot price of the ordinary share. The Group has used the discounted cash flow method to determine the underlying equity fair value of the Group. After the issuance of preferred shares by the Company, options-pricing method under equity allocation approach is also applied in the determination of respective fair values of ordinary shares and preferred shares.

Key assumptions for grant date fair value during the year are set as below:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
				(Unaudited)	
Fair value per unit (RMB)	15.22 to 26.42	28.66 to 44.93	35.65 to 52.05	35.65 to 45.50	53.49 to 55.25
Discount for lack of marketability ("DLOM")	20%	20%	10% to 20%	17.5% to 20%	10% to 20%
Discount rate (%)	17%	15% to 16%	13.5% to 14.0%	14.00%	13% to 13.5%
Risk-free rate (%)	0.36%	0.36%	0.14% to 1.12%	0.3% to 0.85%	1.35% to 3%
Expected option life (year)	10	10	10	10	10

The weighted-average remaining contract life for outstanding share options was 8.63 years, 8.52 years, 8.69 years, 8.41 years, 8.56 years as of 31 December 2019, 2020, 2021, and six months ended 30 June 2021 and 2022, respectively.

24 OTHER RESERVES

The Group

	Capital reserves	Statutory surplus reserves	Share-based payment reserves	Other comprehensive income	Total
	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000
As at 1 January 2019	10,000	—	24,727	—	34,727
Profit appropriation to statutory surplus reserves	—	5,150	—	—	5,150
Share-based compensation (Note 9)	—	—	21,171	—	21,171
As at 31 December 2019	10,000	5,150	45,898	—	61,048
As at 1 January 2020	10,000	5,150	45,898	—	61,048
Reorganization related to spin off from the predecessor holding company	(8,698,989)	—	—	—	(8,698,989)
Share-based compensation (Note 9)	—	—	121,637	—	121,637
As at 31 December 2020	(8,688,989)	5,150	167,535	—	(8,516,304)
As at 1 January 2021	(8,688,989)	5,150	167,535	—	(8,516,304)
Profit appropriation to statutory surplus reserves	—	3,998	—	—	3,998
Reorganization related to spin off from the predecessor holding company	(340,409)	—	—	—	(340,409)
Share-based compensation (Note 9)	—	—	325,542	—	325,542
Employee share option plan—repurchase value (Note 23)	—	—	(112,983)	—	(112,983)
Currency translation differences	—	—	—	174,932	174,932
As at 31 December 2021	(9,029,398)	9,148	380,094	174,932	(8,465,224)

	Capital reserves	Statutory surplus reserves	Share-based payment reserves	Other comprehensive income	Total
	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000
(Unaudited)					
As at 1 January 2021	(8,688,989)	5,150	167,535	—	(8,516,304)
Profit appropriation to statutory surplus reserves.	—	427	—	—	427
Reorganization related to spin off from the predecessor holding company	(340,409)	—	—	—	(340,409)
Share-based compensation (Note 9)	—	—	89,000	—	89,000
Employee share option plan-repurchase value (Note 23)	—	—	(103,919)	—	(103,919)
Currency translation differences.	—	—	—	75,827	75,827
As at 30 June 2021	<u>(9,029,398)</u>	<u>5,577</u>	<u>152,616</u>	<u>75,827</u>	<u>(8,795,378)</u>
As at 1 January 2022	(9,029,398)	9,148	380,094	174,932	(8,465,224)
Profit appropriation to statutory surplus reserves.	—	498	—	—	498
Share-based compensation (Note 9)	—	—	83,188	—	83,188
Currency translation differences.	—	—	—	(395,274)	(395,274)
As at 30 June 2022	<u>(9,029,398)</u>	<u>9,646</u>	<u>463,282</u>	<u>(220,342)</u>	<u>(8,776,812)</u>
The Company					
As at 1 January 2019	—	—	—	—	—
Profit appropriation to statutory surplus reserves.	—	—	—	—	—
Share-based compensation (Note 9)	—	—	—	—	—
As at 31 December 2019	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As at 1 January 2020	—	—	—	—	—
Issue of ordinary shares	—	—	—	—	—
Issue of preference shares	—	—	—	—	—
Share-based compensation (Note 9)	—	—	167,535	—	167,535
Others	—	—	—	—	—
As at 31 December 2020	<u>—</u>	<u>—</u>	<u>167,535</u>	<u>—</u>	<u>167,535</u>
As at 1 January 2021	—	—	167,535	—	167,535
Share-based compensation (Note 9)	—	—	325,542	—	325,542
Employee share option plan-repurchase value (Note 23)	—	—	(112,983)	—	(112,983)
Currency translation differences.	—	—	—	175,054	175,054
As at 31 December 2021	<u>—</u>	<u>—</u>	<u>380,094</u>	<u>175,054</u>	<u>555,148</u>
(Unaudited)					
As at 1 January 2021	—	—	167,535	—	167,535
Share-based compensation (Note 9)	—	—	89,000	—	89,000
Employee share option plan repurchase value (Note 23)	—	—	(103,919)	—	(103,919)
Currency translation differences.	—	—	—	75,826	75,826
As at 30 June 2021	<u>—</u>	<u>—</u>	<u>152,616</u>	<u>75,826</u>	<u>228,442</u>

	Capital reserves	Statutory surplus reserves	Share-based payment reserves	Other comprehensive income	Total
	RMB'000 (Note a)	RMB'000 (Note b)	RMB'000	RMB'000	RMB'000
As at 1 January 2022	—	—	380,094	175,054	555,148
Share-based compensation (Note 9)	—	—	83,188	—	83,188
Currency translation differences	—	—	—	(393,660)	(393,660)
As at 30 June 2022	—	—	463,282	(218,606)	244,676

(a) Capital reserves

The balances as at 1 January 2019 and 31 December 2019 represented the share capital of Beijing Fenbi Bluesky.

As disclosed in Note 22, on 14 December 2020, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with an authorized share capital of USD50,000 divided into 500,000,000 shares with a par value of USD0.0001 each. On 14 December 2020, the Company issued an aggregate of 39,855,500 Class A ordinary shares and 22,465,600 Class B ordinary shares with a par value of USD0.0001 each. On 31 December 2020, the Company issued an aggregate of: (i) 2,628,000 Class A ordinary shares with a par value of USD0.0001 each, and (ii) 113,252,200 Series A preferred shares with a par value of USD0.0001 each. Thus, as of 31 December 2020, the balances of share capital and share premium related to the ordinary shares issued were amounted to RMB42,000 and RMB2,307,991,000, respectively. On 3 March 2021, the Company issued 7,913,200 Class A ordinary shares with a par value of USD0.0001 each and the balances of share capital and share premium related to the ordinary shares issued were amounted to RMB 5,000 and RMB 340,404,000, respectively.

As disclosed in Note 26, on 31 December 2020, as the consideration of the spin-off of the Group from YUAN Inc, the Company issued 113,252,200 Series A preferred shares of the Company with a par value of USD0.0001 each to the preferred shares holders of YUAN Inc to reflect their respective beneficial ownership in the Listing Business. As at 31 December 2020, balances related to Series A preferred shares were amounted to RMB6,390,956,000.

During the years ended 31 December 2020 and 2021, the aggregate amounts of RMB8,698,989,000 and RMB 340,409,000 were credited as fully paid at the amount of the fair value of the Group's Listing Business upon the Reorganization, respectively.

(b) Statutory surplus reserves

In accordance with the relevant laws and regulations of the PRC, when distributing the net profit of each year, the Group shall set aside 10% of its profit after income tax (based on the PRC statutory financial statements and after offsetting accumulated losses from prior years) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the paid-in capital).

Statutory reserve can be used to make up for the loss or increase the paid-in capital after approval from the appropriate authorities.

25 TRADE AND OTHER PAYABLES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Current liabilities				
Trade payables	32,624	31,767	28,431	18,427
Accrued salaries and bonus	30,109	222,034	169,216	87,148
Tax payable (other than income tax payable)	12,486	54,013	91,788	33,168
Other payables	1,234	4,714	23,925	29,065
	76,453	312,528	313,360	167,808

The ageing analysis of the trade payables based on their respective invoice and issue dates are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	32,531	31,747	28,348	18,375
1 to 2 years	93	1	82	51
More than 2 years	—	19	1	1
	32,624	31,767	28,431	18,427

26 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The Group and the Company

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current liabilities				
Convertible preferred shares				
— Series A preferred shares (Note a)	—	6,390,956	6,192,356	6,875,875
— Series B preferred shares (Note b)	—	—	2,563,808	2,738,616
	—	6,390,956	8,756,164	9,614,491

Note a:

On 31 December 2020, as the consideration of the spin-off of the Group from YUAN Inc, the Company issued 113,252,200 Series A preferred shares of the Company with a par value of USD0.0001 each to the respective shareholders of YUAN Inc at nominal consideration, to reflect the beneficial ownership of the shareholders of YUAN Inc in the Listing Business. (the "Series A preferred shares").

Note b:

Pursuant to the share purchase agreement dated 7 February 2021, Series B investors agreed to subscribe for 31,529,700 Series B preferred shares of the Company with par value of USD0.0001 each (the "Series B preferred shares"). The purchase price paid by Series B investors was equivalent to approximately USD12.35 per share (the "Series B Issue Price"), which was determined based on arms' length negotiation between the Series B investors and the Company after taking in account of various factors, including, among others, the timing of investment and business performance of the Group. The investment was completed and fully settled on 9 June 2021. The Series A preferred shares and Series B preferred shares are called convertible preferred shares, collectively.

(i) The key terms of the convertible preferred shares are as follows:

(a) Redemption rights (only for Series B preferred shares):

The shareholders of preferred shares may give a written notice to the Company at any time or from time to time requesting redemption of all or part of their preferred shares under specific conditions as provided in the article of association.

The Series B preferred shares may be redeemed at any time on or after (whichever is earlier):

- 31 December 2025 if a qualified IPO has not been consummated,
- if any of the founder parties, the Company or any Fenbi group company materially breaches or violates its obligations (including any covenant, agreement, undertaking, representation or warranty) under the Series B purchase agreement or any transaction document,
- there is any adverse change in PRC laws or regulations with respect to the legality, validity and enforceability of any restructuring document and any holder of the Series B preferred shares has discussed in good faith with any of the founders or holders of the ordinary shares regarding any resolution or rectification of such issue but no agreement regarding any such resolution or rectification has been reached among the parties within 30 days of the date of commencement of such discussion,
- any VIE termination event,
- Mr. ZHANG Xiaolong resigns or is terminated from the office or his employment with any Fenbi group company,
- Mr. ZHANG Xiaolong directly or indirectly participates in the operation or management of any person other than a Fenbi group company,
- Mr. ZHANG Xiaolong becomes an employee or consultant on a full-time or part-time basis with any person other than a Fenbi group company,
- the Restructuring (as defined in the Series B purchase agreement) has not been completed in accordance with the restructuring plan (as defined in the Series B purchase agreement) within one hundred eighty (180) days after the first closing (as defined in the Series B purchase agreement), or

- the Company receives any redemption request from any shareholder of the Company, any holder of Series B preferred shares may, at any time thereafter, by written request to the Company (with a copy to other holders of preferred shares of each and all series), require that the Company redeem all or part of the Series B preferred shares then held by such holder of Series B preferred shares in accordance with the Company's articles of association.
- A supplemental agreement has been entered in February 2022 regarding to the clauses:

The redemption rights shall terminated from the date immediately prior to the Company's submission of the listing application for a qualified IPO, provided that if the Company has not completed such qualified IPO by 30 June 2023, the redemption rights shall be automatically restored.

(b) Liquidation preferences

Pursuant to the article of association, in the event of any trade sale (including but not limited to an approved sale) and each VIE termination event, any proceeds, whether in cash or properties and whether received by the Company or any member(s), resulting from a trade sale or a VIE termination event shall be distributed in accordance with the terms below:

- (1) The holders of the Series B preferred shares (calculated as a single class), pari passu as between themselves, shall be entitled to receive, prior to any distribution to the holders of the Series A preferred shares, the ordinary shares and any other class of shares issued and then outstanding, for each Series B preferred share held by such holder, the amount equal to 120% of the Series B Issue Price, plus all accrued or declared but unpaid dividends on such Series B preferred share (collectively, the "Series B Preference Amount").

If the assets and funds legally available for distribution among the holders of the Series B preferred shares shall be insufficient to permit the payment to such holders of the full Series B Preference Amount, then the entire assets and funds legally available for distribution shall be distributed ratably among the holders of the Series B preferred shares based on the aggregate Series B Preference Amount each such holder is otherwise entitled to receive pursuant to the article of association.

- (2) If there are any assets or funds remaining after the aggregate Series B Preference Amount have been distributed or paid in full to the holders of Series B preferred shares pursuant to (1) above, the holders of the Series A preferred shares (calculated as a single class), pari passu as between themselves, shall be entitled to receive, prior to any distribution to the holders of the ordinary Shares and any other class of shares issued and then outstanding (other than the Series B preferred shares), for each Series A preferred share held by such holder, the amount equal to 120% of the Series A issue price, plus all accrued or declared but unpaid dividends on such Series A preferred share (collectively, the "Series A Preference Amount").

If the assets and funds legally available for distribution among the holders of the Series A preferred shares shall be insufficient to permit the payment to such holders of the full Series A Preference Amount, then the entire remaining assets and funds legally available for distribution shall be distributed ratably among the holders of the Series A preferred shares based on the aggregate Series A Preference Amount each such holder is otherwise entitled to receive.

- (3) If there are any assets or funds remaining after the aggregate Series B Preference Amount and the aggregate Series A Preference Amount have been distributed or paid in full to the holders of Series B preferred shares and the holders of Series A preferred shares respectively pursuant to (1) and (2) above, the remaining proceeds, whether in cash or properties and whether received by the Company or any member(s), resulting from a trade sale or a VIE termination event, shall be distributed ratably among all members (including the holders of preferred shares) according to the relative number of ordinary shares held by such member (including preferred shares on an as if converted but otherwise non-diluted basis).

The trade sale means any of the following events:

- (1) any consolidation, amalgamation, scheme of arrangement, reorganization, merger or other business combination of any Fenbi group company with or into any other person or other corporate reorganization in which the members or shareholders of such Fenbi group company immediately prior to such consolidation, amalgamation, scheme of arrangement, reorganization, merger or other business combination, do not own more than fifty percent (50%) of such surviving entity's voting power or share capital in the aggregate in substantially the same proportions immediately after such consolidation, amalgamation, scheme of arrangement, reorganization, merger, or other business combination, or any transaction or series of related transactions which results in any person or group of related persons holding in excess of fifty percent (50%) of a Fenbi group company's voting power or share capital;
- (2) a sale, transfer, lease or other disposition of all or substantially all of the assets of any Fenbi group company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such Fenbi group company); or the transfer or exclusive licensing, in a single transaction or series of related transactions, of all or substantially all of any Fenbi group company's intellectual property to a third party (other than another Fenbi group company).

As the events triggering liquidation preferences in the relevant agreement described above were beyond the control of the Company and the holders of Series A preferred shares, when such events occur, the Company does not have the unconditional right to avoid delivering cash or another financial asset to the holders of Series A preferred shares in settlement of its obligation. Such contingent settlement feature meet the definition of a financial liability under IAS 32, and accordingly Series A preferred shares were designated the entire instruments as convertible preferred shares with the changes in the fair value recognized in profit or loss under the requirements of IFRS.

(c) Voting rights

Each preferred share has voting rights equivalent to the number of ordinary shares into which such preferred shares could be then convertible.

(d) Conversion rights

Unless converted earlier pursuant to the provisions with respect to automatic conversion as set out below, preferred shares shall be convertible, at the option of the holder thereof, at any time into such number of fully paid and non-assessable ordinary shares at an initial conversion ratio of 1:1, and thereafter shall be subject to adjustment and readjustment from time to time as hereinafter provided.

Each preferred share shall automatically be converted, based on the respective then-effective conversion price, without the payment of any additional consideration, into fully-paid and non-assessable Class A ordinary shares upon the closing of a qualified IPO.

(e) Dividends rights

The directors of the Company may declare dividends and distributions on ordinary shares and preferred shares in issue and authorize payment of the dividends or distributions out of the assets of the Company lawfully available therefor.

No dividend or distribution, whether in cash, in property, or in shares of the capital of the Company, shall be declared, paid, set aside or made with respect to the ordinary shares at any time unless all accrued but unpaid dividends on the preferred shares have been paid in full.

Before the qualified IPO, except for an exempted distribution, or as otherwise approved by the board of directors, no dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made. If any dividend or distribution is declared by the board of directors, all accrued or declared but unpaid dividends on the Series B preferred shares, *pari passu* as between themselves, shall have been paid in full (calculated on as-converted but otherwise non-diluted basis) in priority and in preference to any dividend on the Series A preferred shares and the ordinary shares. Notwithstanding any provision to the contrary, except for an applicable exempted distribution, no dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the Ordinary Shares or Series A preferred shares at any time unless a distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each issued and outstanding Series B preferred share such that the distribution declared, paid, set aside or made to the holder thereof shall be equal to the distribution that such holder would have received if such Series B preferred share had been converted into Class A ordinary shares immediately prior to the record date for such distribution, or if no such record date is established, the date such distribution is made.

Except as provided above, the Company shall make dividend or distribution to all members *pro rata* according to the relative number of ordinary shares held by such member (including preferred shares calculated on as-converted but otherwise non diluted basis).

The Group does not bifurcate any embedded derivatives from the host instruments and designated the entire instruments as convertible preferred shares with the changes in the fair value recognized in profit or loss.

No dividend was paid to the holders of preferred shares during the year ended 31 December 2020 and 2021 and the six months ended 30 June 2021 and 2022.

(ii) Movements of convertible preferred shares are:

	Year ended 31 December
Issuance of Series A preferred shares	6,390,956
As at 31 December 2020 and 1 January 2021	6,390,956
Settlement of certain Series A preferred shares (Note a)	(754,310)
Issuance of Series B preferred shares	2,525,415
Changes in fair value	795,717
Currency translation differences	(201,614)
As at 31 December 2021	8,756,164
Changes in fair value	383,799
Currency translation differences	474,528
As at 30 June 2022	9,614,491

Note a:

Pursuant to the share redemption agreement dated February 25, 2021 entered between the Company and one of the Series A investors, 9,913,400 Series A preferred shares of par value USD0.0001 each held by that investor will be redeemed by the Company at a per share price of USD11.7325, amounting to an aggregate redemption price of USD116,308,965.50 (the "Redemption Price"), which shall be cancelled immediately upon such redemption by the Company at the closing. The redemption was approved by the board of directors of the Company and the shareholder meeting and completed in March 2021.

(iii) The Group applied the discounted cash flow method to determine the underlying equity value of the Company and adopted option pricing method and equity allocation model to determine the fair value of the convertible preferred shares. Key assumptions used to determine the fair value of convertible preferred shares are as follows:

	As at 31 December		As at 30 June
	2020	2021	2022
Discount rate (%)	15%	13.5%	13.0%
Expected volatility (%)	48.03%	49.68%-50.89%	52.29%-57.60%
Discount for lack of marketability ("DLOM")	20%	10%~20%	10%-20%

Discount rate was estimated by weighted average cost of capital of each valuation date. The Group estimated the risk-free interest rate used in the equity allocation with reference to the yield of U.S. Government Bonds at that time close to the timing as of valuation date. Volatility was estimated based on the historical share price movement of the comparable companies for the period of time close to the expected time to exercise. The DLOM was estimated based on the option pricing method. Under the option pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount.

Management considered that fair value changes in the Preferred Shares that are attributable to changes of credit risk of this liability are not significant.

27 REFUND LIABILITIES

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Refund liabilities				
Arising from right of refund	196,103	757,752	680,293	685,002

The refund liabilities relate to customers' right of refund prepaid course fee or in some case refund course fee where related service is already provided. For more details, please refer to Note 4(b).

28 DEFERRED INCOME TAX

The deferred income tax assets and liabilities balance as at 31 December 2019, 2020 and 2021 and 30 June 2022 are as follows:

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred income tax assets:				
to be recovered after more than 12 months	—	40,238	56,943	23,873
to be recovered within 12 months	—	—	8,132	17,614
Total deferred tax assets	—	40,238	65,075	41,487
Set-off of deferred tax liabilities pursuant to set-off provisions	—	(245)	(267)	—
Net deferred tax assets	—	39,993	64,808	41,487
Deferred income tax liabilities:				
to be recovered after more than 12 months	(27)	(245)	(267)	—
to be recovered within 12 months	—	—	—	—
Total deferred tax liabilities	(27)	(245)	(267)	—
Set-off of deferred tax liabilities pursuant to set-off provisions	—	245	267	—
Net deferred tax liabilities	(27)	—	—	—

Note a:

Tax losses

	For the year ended 31 December			For the Six months ended 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Unused tax losses for which no deferred tax asset has been recognised	4,715	56,894	166,174	11,636

The unused tax losses were incurred by subsidiaries that is not likely to generate taxable income in the foreseeable future. The tax losses shall expire in five years from year of occurrence under current tax legislation.

Movements in deferred income tax assets and deferred income tax liabilities during the Track Record Periods are as follows:

Deferred income tax assets	Tax losses	Total
	RMB'000	RMB'000
As at 1 January 2019 and 31 December 2019	—	—
Charged to profit or loss	40,238	40,238
As at 31 December 2020	40,238	40,238
Charged to profit or loss	24,837	24,837
As at 31 December 2021	65,075	65,075
Charged to profit or loss	(23,588)	(23,588)
As at 30 June 2022	41,487	41,487
As at 31 December 2020	40,238	40,238
Charged to profit or loss	28,146	28,146
As at 30 June 2021 (Unaudited)	68,384	68,384

Deferred income tax liabilities	Unrealised investment income	Total
	RMB'000	RMB'000
As at 1 January 2019	—	—
Charged to profit or loss	(27)	(27)
As at 31 December 2019	(27)	(27)
Charged to profit or loss	(218)	(218)
As at 31 December 2020	(245)	(245)
Charged to profit or loss	(22)	(22)
As at 31 December 2021	(267)	(267)
Charged to profit or loss	267	267
As at 30 June 2022	—	—
As at 31 December 2020	(245)	(245)
Charged to profit or loss	—	—
As at 30 June 2021 (Unaudited)	(245)	(245)

29 DIVIDENDS

The Board did not propose a final dividend during the year ended 31 December 2019, 2020 and 2021, and during the six months ended 30 June 2021 and 2022.

30 CASH FLOW INFORMATION

(a) Cash generated from operations

	Notes	Year ended 31 December			Six months ended 30 June	
		2019	2020	2021	2021	2022
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit/(loss) before income tax.		184,036	(517,167)	(2,057,929)	(970,282)	(361,249)
Adjustments for:						
Depreciation of property, plant and equipment	13	5,562	18,879	78,000	39,881	31,495
Amortisation of intangible assets	14	22	79	98	44	55
Depreciation of right-of-use assets	15	21,565	72,426	214,389	98,418	68,035
Losses/(gains) on disposal of property, plant and equipment.		1	(32)	3,660	(5)	6,781
Fair value losses on financial liabilities at fair value through profit or loss		—	—	582,957	19,698	383,799
Loss on settlement of financial liabilities at fair value through profit or loss		—	—	212,760	212,760	—
Fair value gains on financial assets at fair value through profit or loss	20	(4,821)	(9,777)	(19,507)	(15,689)	(5,060)
Net fair value losses on derivatives		—	—	—	—	13,388
Finance cost, net	10	2,012	5,879	17,699	9,900	8,302
Impairment losses on financial assets and contract assets		24	923	641	1,489	89
Losses on disposal of leasehold improvement	13	—	—	26,448	—	20,190
Gain on disposal of right-of-use assets	(a)	—	—	(19,672)	(1,801)	(15,521)
Non-cash employee benefits expense — share based payments	9	21,171	121,637	325,542	89,000	83,188

Note (a): The adjustments did not include the penalty losses of RMB24,523,000 and RMB9,723,000 in operating cashflows as a result of the early terminations of lease agreements for the year ended 31 December 2021 and for the six months ended 30 June 2022, respectively.

Notes	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Change in operating assets and liabilities:					
Decrease/(increase) in trade receivables and prepayment and other receivables	3,912	(57,597)	(37,337)	(136,690)	23,882
Increase in contract assets	—	—	(20,528)	(40,582)	(39,929)
Decrease/(increase) in inventories	17,580	(21,213)	(13,348)	(55,858)	(1,535)
Increase/(decrease) in contract liabilities	38,245	46,789	13,091	60,013	(11,576)
Increase/(decrease) in refund liabilities	142,881	561,649	(77,459)	439,246	4,709
(Decrease)/increase in trade and other payable	16,424	236,075	832	82,595	(145,552)
Payment for value previously recorded in equity — employee share option plan	23	—	(112,983)	(103,919)	—
Cash generated from/(used in) operations	448,614	458,550	(882,646)	(271,782)	63,491

(b) Net debts reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years presented.

	As at 31 December			As at 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net debts					
Cash and cash equivalents	161,783	332,650	1,159,867	1,197,757	1,253,529
Liquid investment (i)	280,181	351,639	10,139	697,879	—
Financial liabilities at fair value through profit or loss	—	(6,390,956)	(8,756,164)	(8,312,456)	(9,614,491)
Lease liabilities	(67,033)	(307,315)	(435,688)	(590,998)	(279,074)
Borrowings	—	—	—	—	—
Net debts	374,931	(6,013,982)	(8,021,846)	(7,007,818)	(8,640,036)
Cash and liquid investments	441,964	684,289	1,170,006	1,895,636	1,253,529
Gross assets — fixed interest rates	(67,033)	(6,698,271)	(9,191,852)	(8,903,454)	(9,893,565)
Net debts	374,931	(6,013,982)	(8,021,846)	(7,007,818)	(8,640,036)

- (i) Liquid investments comprise current investments that are investment in wealth management products that usually held for several days or over one year, being the Group's financial assets held at fair value through profit or loss (see note 20).

	Other assets	Liabilities from financing activities			Total
	Liquid investment	Lease liabilities	Financial liabilities at fair value through profit or loss	Borrowings	
	RMB'000	RMB'000	RMB'000	RMB'000	
Net debt as at 1 January 2019	—	(25,519)	—	—	(25,519)
Cash flows	275,360	23,594	—	—	298,954
Additions	—	(63,690)	—	—	(63,690)
Accrual interest for lease liabilities	—	(1,418)	—	—	(1,418)
Other changes	4,821	—	—	—	4,821

	Other assets		Liabilities from financing activities		
	Liquid investment	Lease liabilities	Financial liabilities at fair value through profit or loss		Total
			Borrowings		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Net debt as at 31 December 2019	280,181	(67,033)	—	—	213,148
Cash flows	61,681	107,517	—	—	169,198
Additions	—	(340,563)	—	—	(340,563)
Accrual interest for lease liabilities	—	(7,236)	—	—	(7,236)
Other changes	9,777	—	(6,390,956)	—	(6,381,179)
Net debt as at 31 December 2020	351,639	(307,315)	(6,390,956)	—	(6,346,632)
Cash flows	(361,007)	177,907	(1,771,105)	—	(1,954,205)
Additions	—	(460,437)	—	—	(460,437)
Accrual interest for lease liabilities	—	(20,003)	—	—	(20,003)
Other changes	19,507	174,160	(594,103)	—	(400,436)
Net debt as at 31 December 2021	10,139	(435,688)	(8,756,164)	—	(9,181,713)
Cash flows	(15,199)	56,560	—	—	41,361
Additions	—	(17,210)	—	(54,530)	(71,740)
Accrual interest for lease liabilities	—	(7,542)	—	—	(7,542)
Other changes	5,060	124,806	(858,327)	—	(728,461)
Repayments	—	—	—	54,530	54,530
Net debt as at 30 June 2022	—	(279,074)	(9,614,491)	—	(9,893,565)
Net debt as at 1 January 2021	351,639	(307,315)	(6,390,956)	—	(6,346,632)
Cash flows	330,551	112,739	(1,771,105)	—	(1,327,815)
Additions	—	(399,244)	—	—	(399,244)
Accrual interest for lease liabilities	—	(11,217)	—	—	(11,217)
Other changes	15,689	14,039	(150,395)	—	(120,667)
Net debt as at 30 June 2021 (unaudited)	697,879	(590,998)	(8,312,456)	—	(8,205,575)

(c) **Non-cash investing and financing activities**

Non-cash investing and financing activities disclosed in other notes are:

Details of acquisition of right-of-use assets were disclosed in Note 15 (i).

Details of share options granted to participants under the ESOPs without cash considerations were disclosed in Note 23.

Details of the non-cash financing activities related to the issuance of ordinary shares and preferred shares were disclosed in Note 24 and Note 26.

31 CONTINGENCIES

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group did not have any significant contingent liabilities.

32 COMMITMENTS

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the Group did not have any significant capital commitments.

33 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Name of the related parties	Nature of relationship
YUAN Inc	Former ultimate parent company of Beijing Fenbi Bluesky before completion of the spin-off. Mr. LI Yong and Mr. LI Xin are directors of YUAN Inc, who are also directors of the Company.
Beijing Yuanli Education Technology Co., Ltd. (Former name: Beijing Zhengguanyu Technology Co., Ltd.)	A subsidiary indirectly controlled by YUAN Inc
Beijing YuanLi Future Technology Co., Ltd.	A subsidiary indirectly controlled by YUAN Inc
Tencent Cloud Computing (Beijing) Co., Ltd.	A subsidiary of Tencent, a shareholder of the Group
Beijing Fenbi Zhiwuya Technology Co., Ltd.	A subsidiary indirectly controlled by YUAN Inc
Tenpay Payment Technology Co., Ltd.	A subsidiary of Tencent, a shareholder of the Group
Mr. ZHANG Xiaolong	Executive director and chief executive officer of the Company

* The English names of certain companies referred to above represent the best efforts made by management of the Company to directly translate the Chinese names as they have not registered any official English names.

(b) Transactions with related parties

During the Track Record Periods, the Group had the following significant transactions with related parties.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of goods and services:					
Beijing Zhengguanyu Technology Co., Ltd. (i)	260	578	608	590	402
Beijing YuanLi Future Technology Co., Ltd. (i)	51	52	—	—	—
Beijing YuanLi Future Technology Co., Ltd. (ii)	3,400	—	—	—	—
	<u>3,711</u>	<u>630</u>	<u>608</u>	<u>590</u>	<u>402</u>

(i) This related party transaction represents revenue from providing training services.

(ii) This related party transaction represents sub-rental income.

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchases of goods and services:					
Tencent Cloud Computing (Beijing) Co., Ltd. (i)	4,957	6,958	9,011	4,281	5,133
Tenpay Payment Technology Co., Ltd. (ii)	2,324	5,576	8,982	6,564	3,982
Mr. ZHANG Xiaolong (iii)	1,065	—	—	—	—
Beijing Zhengguanyu Technology Co., Ltd. (iv)	—	—	414	—	—
Beijing YuanLi Future Technology Co., Ltd. (iv)	—	—	44	44	—
	<u>8,346</u>	<u>12,534</u>	<u>18,451</u>	<u>10,889</u>	<u>9,115</u>

(i) This related party transaction represents cost paid to the related cloud store service.

(ii) This related party transaction represents cost paid to the related payment service.

- (iii) This related party transaction represents cost paid for the copyright royalty service fee.
 (iv) This related party transaction represents cost paid for purchase of raw materials and electronic equipment.

(c) Outstanding balances due from related parties

Balances due from related parties	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Trade				
Tencent Cloud Computing (Beijing) Co., Ltd.	—	639	2,992	151
Beijing Fenbi Zhiwuya Technology Co., Ltd.	—	1	1	1
	—	640	2,993	152
Non-Trade				
Mr. ZHANG Xiaolong (i)	4,000	—	—	—
	4,000	640	2,993	152

- (i) Details related to the outstanding balance of RMB 4,000,000 with Mr. ZHANG Xiaolong were set out in (e) below.

(d) Loans from related parties

Non-Trade	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year	68,550	—	—	—
Loan repayments paid	(68,550)	—	—	—
End of the year	—	—	—	—

The opening balance of USD 10,000,000 (approximately equivalent to RMB68,550,000) represented loan from YUAN Inc which was unsecured, interest free and with a maturity term of one year starting from September 2018.

(e) Loans to related parties

Non-Trade	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year	4,000	4,000	—	—
Loan receivables received	—	(4,000)	—	—
End of the year	4,000	—	—	—

The opening balance of RMB4,000,000 represented loan to Mr. Zhang Xiaolong which was unsecured, interest free and with a maturity term of 36 months starting from June 2017.

(f) Key management personnel compensation

Key management compensation for the Track Record Periods, other than those relating to the emoluments of the directors of the company being disclosed are set out below:

	Year ended 31 December			Six months ended 30 June	
	2019	2020	2021	2021	2022
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	1,705	1,435	4,601	980	2,704
Contributions to pension plans.	73	10	158	76	89
Welfare and other expenses	126	157	231	117	114
Share-based compensation expenses	1,187	12,098	87,263	72,684	34,734
	3,091	13,700	92,253	73,857	37,641

34 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' emoluments

The remuneration of each Director and the chief executive officer for the year ended 31 December 2019, 2020 and 2021 and six months ended 30 June 2021 and 2022 are set out below:

For the year ended 31 December 2019	Note	Salary	Discretionary bonus	Contribution to pension plan	Welfare, medical and other expenses	Share-based Compensation expenses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. ZHANG Xiaolong	(i)	1,178	—	50	74	—	1,302
Mr. WEI Liang	(ii)	1,067	36	50	74	—	1,227
Mr. LI Yong	(iii)	—	—	—	—	—	—
Mr. LI Xin	(iv)	—	—	—	—	—	—
Mr. LI Xiaojun	(v)	—	—	—	—	—	—
Mr. ZUO Lingye	(vi)	—	—	—	—	—	—
Mr. LI Zhaohui	(vii)	—	—	—	—	—	—
Mr. DING Yi Gordon	(viii)	—	—	—	—	—	—
Mr. CAO Wei	(ix)	—	—	—	—	—	—
		2,245	36	100	148	—	2,529
For the year ended 31 December 2020	Note	Salary	Discretionary bonus	Contribution to pension plan	Welfare, medical and other expenses	Share-based Compensation expenses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. ZHANG Xiaolong		1,183	—	8	70	—	1,261
Mr. WEI Liang		649	—	8	70	—	727
Mr. LI Yong		—	—	—	—	—	—
Mr. LI Xin		—	—	—	—	—	—
Mr. LI Xiaojun		—	—	—	—	—	—
Mr. ZUO Lingye		—	—	—	—	—	—
Mr. LI Zhaohui		—	—	—	—	—	—
Mr. DING Yi Gordon		—	—	—	—	—	—
Mr. CAO Wei		—	—	—	—	—	—
		1,832	—	16	140	—	1,988
For the year ended 31 December 2021	Note	Salary	Discretionary bonus	Contribution to pension plan	Welfare, medical and other expenses	Share-based compensation expenses	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. ZHANG Xiaolong		1,110	100	53	77	—	1,340
Mr. WEI Liang		850	108	53	77	110,700	111,788
Mr. LI Yong		—	—	—	—	—	—
Mr. LI Xin		—	—	—	—	—	—
Mr. LI Xiaojun		—	—	—	—	—	—
Mr. ZUO Lingye		—	—	—	—	—	—
Mr. LI Zhaohui		—	—	—	—	—	—
Mr. DING Yi Gordon		—	—	—	—	—	—
Mr. CAO Wei		—	—	—	—	—	—
Mr. DU Nan	(x)	—	—	—	—	—	—
Mr. NIU Kuiguang	(xi)	—	—	—	—	—	—
		1,960	208	106	154	110,700	113,128

35 SUBSEQUENT EVENTS**(a) The impact of COVID-19 pandemic**

The COVID-19 pandemic has severely affected China and many other countries globally in recent years and has not shown the indication of its end. While the Group has considered the potential impact of COVID-19 pandemic in the preparation of the Historical Financial Statements, the Group is unable to quantify the full extent of the related financial effects. Accordingly, there is a possibility that factors not currently anticipated by management could occur in the future and the Group's assets may be subject to impairment loss in the subsequent financial periods. The Group will pay close attention to the development of the COVID-19 pandemic and is evaluating its impact on the financial position and operating results of the Group.

(b) Share subdivision

On 20 December 2022, the shareholders of the Company resolved a share subdivision (the "Share Subdivision") pursuant to which each of the issued and unissued shares with par value of US\$0.0001 each be subdivided into ten shares of the Company with par value of US\$0.00001 each, after which, the authorized share capital of the Company shall be US\$50,000 divided into 5,000,000,000 shares with par value of US\$0.00001 each.

Due to the Share Subdivision was occurred after the reporting period but before the financial statements authorized for issue, the calculations for earnings/(loss) per share are adjusted retrospectively, based on the number of ordinary shares after the Share Subdivision.

Save as disclosed above, there have been no other material events subsequent to the Relevant Period, which require adjustment or disclosure in accordance with IFRS.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the “Accountant’s Report” from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I in this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” and “Appendix I — Accountant’s Report.”

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2022 and based on the consolidated net tangible liabilities attributable to the owners of the Company as at June 30, 2022 as shown in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at June 30, 2022 or at any future date.

	Audited consolidated net tangible liabilities attributable to the owners of the Company as at June 30, 2022	Estimated net proceeds from the Global Offering	Estimated impact related to the changes of terms of convertible redeemable preferred shares upon Listing	Unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted consolidated net tangible assets per share	
	<i>Note 1</i> RMB'000	<i>Note 2</i> RMB'000	<i>Note 3</i> RMB'000	RMB'000	<i>Note 4</i> RMB	<i>Note 5</i> HK\$
Based on the Offer Price of HK\$9.50 per share	(8,939,323)	133,877	9,614,491	809,045	0.39	0.43
Based on the Offer Price of HK\$9.90 per share	(8,939,323)	140,479	9,614,491	815,647	0.39	0.43

Notes:

- (1) The audited consolidated net tangible liabilities attributable to the owners of the Company as at June 30, 2022 is extracted from the Accountant’s Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net liabilities attributable to the owners of the Company as at June 30, 2022 of RMB8,938,496,000 with an adjustment for the intangible assets as at June 30, 2022 of RMB827,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$9.50 and HK\$9.90 per share after deduction of the estimated underwriting fees and other related expenses payable by the Company (excluding RMB32,933,000 which had been charged to the consolidated statements of comprehensive income up to June 30, 2022), without taking into account any shares which may be issued upon the exercise of the Over-allotment Option.
- (3) Upon the Listing and the completion of the Global Offering, all the Preference Shares will be automatically converted into ordinary shares. These Preference Shares will be re-designated from liabilities to equity. Accordingly, for the purpose of the unaudited pro forma financial information, the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company will be increased by RMB9,614,491,000, being the carrying amounts of the Preference Shares as at June 30, 2022.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per share are determined after the adjustments as described in note (2) above and on the basis that 2,097,308,000 shares are in issue, assuming the Global Offering had been completed on June 30, 2022, taking into account the Share Subdivision but without taking into account any shares which may fall to be issued upon the exercise of the Over-Allotment Option.
- (5) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in RMB is converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.8973. No representation is made that RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.
- (6) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2022.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Fenbi Ltd.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Fenbi Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at June 30, 2022 and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated December 23, 2022 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company (the "Proposed Initial Public Offering"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1 of the Prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Initial Public Offering on the Group's financial position as at June 30, 2022 as if the Proposed Initial Public Offering had taken place at June 30, 2022. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the period ended June 30, 2022, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Initial Public Offering at June 30, 2022 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) or standards and practices of any professional body in any other overseas jurisdiction and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Unaudited Pro Forma Financial Information has been properly compiled by the Directors on the basis stated;
- such basis is consistent with the accounting policies of the Group; and
- the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong
December 23, 2022

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES ACT

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act (as amended) of the Cayman Islands (the “Companies Act”).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 December 2020 under the Companies Act. The Company’s constitutional documents consist of its Memorandum and its Articles.

1 MEMORANDUM OF ASSOCIATION

- 1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- 1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were adopted on December 20, 2022. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(b) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of Shares may (unless otherwise provided for by the terms of issue of the Shares of that class) be varied, modified or abrogated either with the consent in writing of not less than three quarters of the voting rights of the holders of the Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the Shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than persons together holding (or, in the case of a Shareholder being a corporation, by its duly authorized representative) or representing by proxy holding not less than one-third in nominal value of the issued Shares of that class. Every holder of Shares of the class shall be entitled on a poll to one vote for every such Share held by him, and any holder of Shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any Shares or class of Shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such Shares, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES ACT

(c) Alteration of capital

The Company may, by an ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares of such amount as it thinks expedient;
- (ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;
- (iii) divide its unissued Shares into several classes and attach to such Shares any preferential, deferred, qualified or special rights, privileges or conditions;
- (iv) subdivide its Shares or any of them into Shares of an amount smaller than that fixed by the Memorandum;
- (v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;
- (vi) make provision for the allotment and issue of Shares which do not carry any voting rights;
- (vii) change the currency of denomination of its share capital; and
- (viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of Shares

Subject to the Companies Act and the requirements of the Stock Exchange, all transfers of Shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House (as defined in the Memorandum and Articles) or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a Share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any Share on the principal register to any branch register or any Share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no Shares on the principal register shall be removed to any branch register nor shall Shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of Shares on any branch register, at the relevant registration office and, in the case of Shares on the principal register, at the place at which the principal register is located.

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The Board may, in its absolute discretion, decline to register a transfer of any Share (not being a fully paid up Share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any Share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of Share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed on terms equivalent to section 632 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong as amended from time to time) as at the date of the adoption of the Articles (or its equivalent provisions from time to time) at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid Shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own Shares

The Company may purchase its own Shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own Shares in the Company

There are no provisions in the Articles relating to the ownership of Shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

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If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose Shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the Shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first annual general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any Shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

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A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (i) resign;
- (ii) dies;
- (iii) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) is prohibited from being or ceases to be a director by operation of law;
- (vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any Shares or class of Shares, any Share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any Share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the Share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of Shares or other securities of the Company on such terms as it may from time to time determine.

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Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of Shares, all unissued Shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of Shares, to make, or make available, any such allotment, offer, option or Shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing

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director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested

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be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:
 - (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or
 - (B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

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2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) *Special and ordinary resolutions*

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the “**Registrar of Companies**”) within 15 days of being passed.

An “ordinary resolution”, by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all Shareholders shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

- (i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the Share; and
- (ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

Members shall have the right to:

- (i) speak at general meetings of the Company; and
- (ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

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At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (i) at least two members;
- (ii) any member or members representing not less than one-tenth of the total voting rights, on a one vote per share basis, of all the members having the right to vote at the meeting; or
- (iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company, at any meeting of any class of members, or at any meeting of the creditors of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to speak and vote.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held within six months after the end of the Company's financial year, at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

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Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it can be demonstrated to the Stock Exchange that reasonable written notice can be given in less time, and it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per share basis in the share capital of the Company. The requisitionist(s) may add resolutions to the agenda of a general meeting so requisitioned.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

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2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' appointment, removal and remuneration must be approved by a majority of the Company's shareholders in the annual general meeting or by other body that is independent of the Board.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by ordinary resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term. A body that is independent of the board may also remove the auditors by a simple majority vote before the expiration of the term of office and shall by a simple majority vote appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

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2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the Shares in respect of which the dividend is paid, although no amount paid up on a Share in advance of calls shall for this purpose be treated as paid up on the share;
- (b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the Shares during any portion(s) of the period in respect of which the dividend is paid; and
- (c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of Shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of Shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance

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of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any Share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. The board shall have no authority to present a winding up petition on behalf of the Company without the sanction of a resolution passed by the Company in general meeting.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and
- (b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the

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Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 14 December 2020 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account.” At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) any manner provided in Section 37 of the Companies Act;
- (d) writing-off the preliminary expenses of the company; and
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

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Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

- (a) all sums of money received and expended by it;
- (b) all sales and purchases of goods by it; and
- (c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

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If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the “**TIA Act**”), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the “**Tax Concessions Act**”), the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (a) 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 the Company or its operations; and
- (b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 30 years from November 11, 2022.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company’s articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company’s articles of association.

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3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

- (a) an order of the court;
- (b) voluntarily by its members; or
- (c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

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When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

- (a) the company is or is likely to become insolvent; or
- (b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e., the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

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3.20 Scheme of arrangement

Following amendments to the Cayman Companies Act that became effective on 31 August 2022, the majority-in-number “headcount test” in relation to the approval of members’ schemes of arrangement has been abolished. Section 86(2A) of the Cayman Companies Act provides that, if seventy-five per cent in value of the members (or class of members) of a Cayman Islands company agree to any compromise or arrangement, such compromise or arrangement shall, if sanctioned by the court, be binding on all members (or class of members) of such company and on the company itself. Where a Cayman Islands company is in the course of being wound up, such compromise or arrangement would be binding on the liquidator and contributories of the company. In contrast, section 86(2) of the Cayman Companies Act continues to require (i) approval by a majority in number representing seventy-five per cent in value and (ii) the sanction of the court, in relation to any compromise or arrangement between a company and its creditors (or any class of them).

3.21 General

Walkers (Hong Kong), the Company’s legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on December 14, 2020. Our registered office address is at 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. As our Company was incorporated in the Cayman Islands, we operate subject to the relevant laws of the Cayman Islands and the Memorandum and Articles of Association. A summary of certain provisions of our Memorandum and Articles of Association and certain relevant aspects of the Cayman Companies Act is set out in Appendix III to this prospectus.

We have established a place of business in Hong Kong at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, and were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on March 25, 2022, under the same address. Mr. LEE Chung Shing has been appointed as the authorized representative of our Company for the acceptance of service of process and notices on behalf of our Company. The address for service of process is the same as our principal place of business in Hong Kong as set out above.

As at the date of this prospectus, our Company's head office was located at 1-6/F, Building 103, No. 10 Courtyard, Jiuxianqiao North Road, Chaoyang District, Beijing, China.

2. Changes in the share capital of our Company

As of the date of incorporation, the authorized share capital of our Company was US\$50,000 divided into 500,000,000 shares with a par value of US\$0.0001 each, among which, 477,534,400 ordinary shares were designated as class A ordinary shares and 22,465,600 ordinary shares were designated as class B ordinary shares. The following sets out the changes in our Company's share capital since its incorporation and up to the date of this prospectus:

- (a) On December 14, 2020, immediately after its incorporation, one class A ordinary share with a par value of US\$0.0001 was allotted and issued to its initial subscriber, Osiris International Cayman Limited, who on the same day transferred the share to Chalk Sky Ltd. On the same date, the Company completed issuance of an aggregate of 39,855,500 class A ordinary shares and 22,465,600 class B ordinary shares with a par value of US\$0.0001 each to the following shareholders:

<u>Shareholders</u>	<u>Number of shares issued</u>
Chalk Sky Ltd	25,719,999 class A ordinary shares
Chalk World Ltd	5,766,500 class A ordinary shares
Green Creek Holding Limited	6,298,800 class A ordinary shares
Feel the Truth Limited	2,070,200 class A ordinary shares
Liang Ma Limited ⁽¹⁾	22,465,600 class B ordinary shares

(1) 22,465,600 class B ordinary shares were redesignated as class A ordinary shares on March 3, 2021.

- (b) On December 31, 2020, the Company completed issuance of (i) 1,361,000 and 1,267,000 class A ordinary shares with a par value of US\$0.0001 each to Chuang Ding Holding Limited and Kun Yu Holding Limited, respectively; and (ii) an aggregate of 113,252,200 series A preferred shares with a par value of US\$0.0001 each to the following shareholders:

Shareholders	Number of series A preferred shares issued
Liang Ma Limited	3,508,000
Feel the Truth Limited	36,400
IDG-ACCEL CHINA GROWTH FUND III L.P.	14,245,400
IDG-ACCEL CHINA III INVESTORS L.P.	1,010,800
EVEN CLASSIC LIMITED	2,550,600
Spring Moment Limited	536,600
Matrix Partners China II Hong Kong Limited	14,987,200
X Adventure Fund I L.P.	203,600
CMC Ape Holdings Limited	2,272,400
Rhodolite Gem Holdings Limited	9,913,400
Taurus Fund L.P.	1,723,600
Morespark Limited	8,472,400
Tencent Mobility Limited	17,873,600
Triple Max Holding Limited	869,400
TPP Opportunity I Holding C Limited	1,304,200
TPP Fund II Holding C Limited	833,000
VH PDII Holdings Limited	814,800
HH AUT-XI Holdings Limited	8,472,400
SUM XIII Holdings Limited	3,214,800
Starry Planet Limited	4,032,600
Novich International Investment Limited	554,800
KIWI JOLLY LIMITED	170,200
3W Global Fund	106,400
Blue Sky Frontier	567,000
Blue Sky Frontier II	322,200
Skycus China Fund, L.P.	681,000
Duckling Fund, L.P.	488,000
DST Asia VII	1,314,800
DSTG VI Investments-A, L.P.	488,000
DSTG VI Investments-C, L.P.	975,800
DSTG VII Investments-3, L.P.	1,219,000
Winning Eleven Pro Ltd	106,400
Wisdom Choice Global Fund, L.P.	106,400
LUCK LEGEND INTERNATIONAL HOLDINGS LIMITED	106,400
Hundreds Golden Vision Fund L.P.	95,800
Hundreds ANTA Fund Limited Partnership	97,400
CY Banana Investment Limited	975,800
DCP Vigor Limited	682,400
Ocean Alliance IV, L.P.	488,000
TB Ape on the Rise Holdings Limited	781,200
Library Group Volume I	332,800
Wen Yuan Ltd	155,000
HIGHBURY INVESTMENT PTE LTD	975,800
Dan Capital Taihang Limited Partnership	390,600
BLUEMOUNTAIN NOBLE LIMITED	293,400
Trinityville Profit Limited	97,400
Franchise Fund LP	97,400
Aranda Investments Pte. Ltd.	488,000
YF Crescent Moon Limited	2,927,600
Kevin Sunny Holding Limited	194,600
Bin Lin	97,400

- (c) On March 3, 2021, the Company completed issuance of 7,913,200 class A ordinary shares with a par value of US\$0.0001 each to LI Xin and redeemed 9,913,400 series A preferred shares with a par value of US\$0.0001 each from Rhodolite Gem Holdings Limited; on the same date, the Company completed issuance of an aggregate of 23,886,163 series B preferred shares with a par value of US\$0.0001 each to the following shareholders:

Shareholders	Number of series B preferred shares issued
Modish Century Limited	4,048,563
TBP Chalk Chalk Investment Holdings Limited.	6,477,700
CF Training Investment Limited.	2,429,100
Duckling Fund, L.P..	2,429,100
East Lake Asia Investments Limited	1,781,300
Tipping Point Limited	2,429,100
United Strength Elegant Limited	1,052,600
Alpha Fibonacci Holdings Limited	809,700
Dan Capital Wuyi L.P..	809,700
3W Global Investment Limited.	404,800
Welight Capital L.P..	404,800
Hundreds Golden Vision Fund L.P..	809,700

- (d) On April 7, 2021, the Company issued 2,429,137 series B preferred shares with a par value of US\$0.0001 each to Merchant Skill Limited;
- (e) On May 21, 2021, the Company issued 2,380,500 and 1,619,400 series B preferred shares with a par value of US\$0.0001 each to Ningbo Xiaoyao Equity Investment Partnership Enterprise (Limited Partnership) (寧波逍遙股權投資合夥企業(有限合夥)) and Ningbo Badou Equity Investment Partnership Enterprise (Limited Partnership) (寧波八門股權投資合夥企業(有限合夥)), respectively;
- (f) On June 9, 2021, the Company issued 1,214,500 series B preferred shares with a par value of US\$0.0001 each to Shenzhen Jinglin Jingying Equity Investment Fund (Limited Partnership) (深圳景林景盈股權投資基金合夥企業(有限合夥));
- (g) On May 26, 2022, Matrix Partners China II Hong Kong Limited transferred 13,488,480 and 1,498,720 series A preferred shares with a par value of US\$0.0001 each to Matrix Partners China II, L.P. and Matrix Partners China II-A, L.P., respectively; and
- (h) On December 20, 2022, each share in our issued and unissued share capital was subdivided into ten shares of our Company with par value of US\$0.00001 each, following which the authorized share capital of our Company was US\$50,000 divided into 5,000,000,000 Shares with par value of US\$0.00001 each.

Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into any Shares to be issued pursuant to the Pre-IPO Share Option Scheme), our issued Shares will be 2,097,308,000 Shares, all fully paid or credited as fully paid, and 2,902,692,000 Shares will remain unissued.

Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option but without taking into any Shares to be issued pursuant to the Pre-IPO Share Option Scheme), our issued Shares will be 2,100,308,000 Shares, all fully paid or credited as fully paid, and 2,899,692,000 Shares will remain unissued.

Save as disclosed above and in “— 3. Resolutions of the Shareholders of our Company passed on December 20, 2022” in this section, there has been no alteration in the share capital of our Company since its inception.

3. Resolutions of the Shareholders of our Company passed on December 20, 2022

Resolutions of the Shareholders were passed at the extraordinary general meeting of our Company held on December 20, 2022, pursuant to which, among other things:

- (1) each of our issued and unissued shares with a par value of US\$0.0001 each in the authorized share capital of our Company was approved to be subdivided into ten shares of our Company with a par value of US\$0.00001 each, immediately following which the authorized share capital of our Company was US\$50,000 divided into 5,000,000,000 Shares with a par value of US\$0.00001 each;
- (2) conditional upon the satisfaction (or, if applicable waiver) of the conditions set out in “Structure of the Global Offering — Conditions of the Global Offering” and pursuant to the terms set out therein:
 - (a) our Company approved and adopted the Memorandum and Articles of Association with effect from the Listing Date;
 - (b) each of the issued and unissued series A preferred shares, series B preferred shares, class A ordinary shares and class B ordinary shares of the Company were approved to be re-designated as one ordinary share of the Company with par value of US\$0.00001 each, having the rights and restrictions as set out in the Memorandum and the Articles, after which, the authorized share capital of our Company will be US\$50,000 divided into 5,000,000,000 ordinary shares of the Company with par value of US\$0.00001 each with effect upon the Listing;
 - (c) the Global Offering and grant of the Over-allotment Option were approved and the Directors (or any duly authorized committee thereof) were authorized to approve to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option;
 - (d) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of the Company to allot, issue and deal with the Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for the Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers whether during or after the end of the Relevant Period (as defined below), provided that the Directors may not issue warrants, options or similar rights to subscribe for any new Shares or any securities convertible into new Shares for cash consideration pursuant to such mandate and the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (i) a right issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of the Shares in lieu of the whole or part of a dividend on the Shares, (iii) the exercise of any subscription or conversion rights attached to any warrants or securities which are convertible into Shares or in issue prior to the date of passing the relevant resolution or (iv) a specific authority granted by the Shareholder(s) in general meeting, shall not exceed the aggregate of:
 - (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme); and
 - (ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph below;

- (e) a general unconditional mandate (the “Repurchase Mandate”) was given to the Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other Stock Exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for the purpose) with a total nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme);
- (f) the general unconditional mandate as mentioned in paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted and issued or agreed to be allotted and issued by the Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme); and

Each of the general mandates referred to in paragraphs 1(d), 1(e) and 1(f) above will remain in effect until whichever is the earliest of (the “Relevant Period”):

- (i) the conclusion of the next annual general meeting of our Company;
- (ii) the expiration of the period within which our Company is required by any applicable law or the Memorandum and the Articles to hold our next annual general meeting; or
- (iii) the time when such mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

4. Changes in share capital of the subsidiaries of our Company and the Consolidated Affiliated Entities

A summary of the corporate information and the particulars of our subsidiaries and the Consolidated Affiliated Entities are set out in Note 1 to the Accountant’s Report set out in Appendix I to this prospectus.

The following sets out changes in share capitals of subsidiaries of our Company and the Consolidated Affiliated Entities during the two years immediately preceding the date of this prospectus:

(1) Fenbi Education Technology (HK) Limited

On January 15, 2021, Fenbi Education Technology (HK) Limited was incorporated under the laws of Hong Kong. Upon its incorporation, one share of Fenbi Education Technology (HK) Limited was allotted and issued to the Company.

(2) Fenbi ShangAn

On April 9, 2021, Fenbi ShangAn was established under the laws of the PRC with a registered capital of US\$10,000,000.

(3) Fenbi ChuXin

On July 22, 2021, Fenbi ChuXin was established under the laws of the PRC with a registered capital of US\$10,000,000.

(4) Fenbi Bluesky

On October 15, 2021, Mr. LI Yong, Mr. LI Xin and Mr. GUO Changzhen transferred their respective 70.56%, 7.68% and 1.46% of the equity interests in Fenbi Bluesky to Mr. ZHANG Xiaolong.

(5) Lancai Tianxia

On July 22, 2021, Tianxia Culture transferred 100% of its equity interest in Lancai Tianxia to Fenbi Bluesky.

On November 24, 2021, Fenbi Bluesky transferred 49.9% of the equity interest in Lancai Tianxia to Tianxia Education.

(6) Shanghai Bizhuo Technology Co., Ltd. (上海筆灼科技有限公司)

On June 10, 2021, Shanghai Bizhuo Technology Co., Ltd. was established under the laws of the PRC with a registered capital of RMB1,000,000.

(7) Tianxia Culture

On November 30, 2021, Fenbi Bluesky transferred 2% of the equity interest in Beijing Fenbi Tianxia Culture Communication Co., Ltd. to an individual investor. After the transfer, Beijing Fenbi Tianxia Culture Communication Co., Ltd. is owned as to 98% by Fenbi Bluesky and as to 2% by the individual investor.

On December 31, 2021, Fenbi Bluesky and the individual investor transferred 98% and 2% of the equity interests in Beijing Fenbi Tianxia Culture Communication Co., Ltd., respectively, to Fenbi ChuXin.

(8) Tianxia Education

On November 30, 2021, Fenbi Bluesky transferred 2% of the equity interest in Beijing Fenbi Tianxia Education Technology Co., Ltd. to an individual investor. After the transfer, Beijing Fenbi Tianxia Education Technology Co., Ltd. is owned as to 98% by Fenbi Bluesky and as to 2% by the individual investor.

On December 31, 2021, Fenbi Bluesky and the individual investor transferred 98% and 2% of the equity interests in Beijing Fenbi Tianxia Education Technology Co., Ltd., respectively, to Fenbi ChuXin.

(9) Jiangsu Fenbi Training Center Co., Ltd. (江蘇粉筆培訓中心有限公司)

On April 15, 2021, Jiangsu Fenbi Training Center Co., Ltd. was established under the laws of the PRC with a registered capital of RMB10,000,000.

On July 22, 2021, Fenbi Bluesky transferred 100% of its equity interest in Jiangsu Fenbi Training Center Co., Ltd. to Tianxia Education.

(10) Yuxi Bilan Education Training School Co., Ltd. (玉溪筆藍教育培訓學校有限公司)

On March 23, 2021, Yuxi Bilan Education Training School Co., Ltd. was established under the laws of the PRC with a registered capital of RMB500,000.

(11) *Anhui Fenbi Tianxia Education Training School Co., Ltd.* (安徽粉筆天下教育培訓學校有限公司)

On March 18, 2021, Anhui Fenbi Tianxia Education Training School Co., Ltd. was established under the laws of the PRC with a registered capital of RMB5,000,000.

(12) *Chongqing Fenyong Bixing Education Technology Co., Ltd.* (重慶粉優筆行教育科技有限公司)

On January 21, 2021, Chongqing Fenyong Bixing Education Technology Co., Ltd. was established under the laws of the PRC with a registered capital of RMB5,000,000.

(13) *Diqing Bilan Education Training Co., Ltd.* (迪慶筆藍教育培訓有限公司)

On August 24, 2021, Diqing Bilan Education Training Co., Ltd. was established under the laws of the PRC with a registered capital of RMB500,000.

(14) *Beijing Fenbi Xingqiu Technology Co., Ltd.* (北京粉筆星球科技有限公司)

On June 15, 2022, Beijing Fenbi Xingqiu Technology Co., Ltd. was established under the laws of the PRC with a registered capital of RMB10,000,000.

Save as disclosed above, there have been no changes in the share capital of any of the subsidiaries of our Company or Consolidated Affiliated Entities within two years immediately preceding the date of this prospectus.

5. Repurchase by our Company of our own securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this prospectus concerning the repurchase of our own securities.

(a) *Provision of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) *Shareholders' Approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on December 20, 2022, the Repurchase Mandate was given to our Directors, details of which are set out in “— A. Further Information about our Company — 3. Resolutions of the Shareholders of our Company passed on December 20, 2022.”

(ii) *Source of Funds*

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than

in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Memorandum and Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Memorandum and Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to affect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the Company resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Companies Act.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person," that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, any repurchases by our Company may be made out of the profits of the Company or out of the proceeds of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorized by the Articles and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 2,097,308,000 Shares in issue immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme), could accordingly result in up to approximately 209,730,800 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum and Articles of Association or any other applicable laws to be held; or
- the time when the Repurchase Mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates, have any present intention, to sell any Shares to our Company.

No core connected person (as defined in the Listing Rules) has notified us that he/she or it has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of Shareholders' interest, could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

The Directors have no present intention to repurchase the Shares to the extent that will trigger the obligations under the Takeovers Code for the concert parties to make a mandatory offer.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances. Our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, in the circumstances, there is insufficient public float as prescribed under the Listing Rules.

B. FURTHER INFORMATION ABOUT OUR COMPANY'S BUSINESS**1. Summary of the Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the business cooperation and service agreement dated July 31, 2021 entered into among Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司), Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司), Shandong Lancai Tianxia Education Technology Co., Ltd. (山東藍彩天下教育科技有限公司), ZHANG Xiaolong (張小龍), LI Xin (李鑫), LI Yong (李勇), WEI Liang (魏亮), GUO Changzhen (郭常圳) and Beijing Fenbi Box Enterprise Management LLP (北京粉筆盒子企業管理合夥企業(有限合夥)), pursuant to which Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司) agreed to be engaged as the provider of technical services, management support services, consulting services, market research and other services to Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司) and its subsidiary in exchange for service fees;
- (b) the exclusive option agreement dated July 31, 2021 entered into among Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司), Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司), Shandong Lancai Tianxia Education Technology Co., Ltd. (山東藍彩天下教育科技有限公司), ZHANG Xiaolong (張小龍), LI Xin (李鑫), LI Yong (李勇), WEI Liang (魏亮), GUO Changzhen (郭常圳) and Beijing Fenbi Box Enterprise Management LLP (北京粉筆盒子企業管理合夥企業(有限合夥)), pursuant to which ZHANG Xiaolong (張小龍), LI Xin (李鑫), LI Yong (李勇), WEI Liang (魏亮), GUO Changzhen (郭常圳) and Beijing Fenbi Box Enterprise Management LLP (北京粉筆盒子企業管理合夥企業(有限合夥)) agreed to grant Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司) an exclusive and irrevocable option to purchase all or part of their equity interests in and/or assets of Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司) and its subsidiary at a minimum price required by the relevant government authorities of PRC laws;
- (c) the equity pledge agreement dated July 31, 2021 entered into among Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司), Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司), ZHANG Xiaolong (張小龍), LI Xin (李鑫), LI Yong (李勇), WEI Liang (魏亮), GUO Changzhen (郭常圳) and Beijing Fenbi Box Enterprise Management LLP (北京粉筆盒子企業管理合夥企業(有限合夥)), pursuant to which ZHANG Xiaolong (張小龍), LI Xin (李鑫), LI Yong (李勇), WEI Liang (魏亮), GUO Changzhen (郭常圳) and Beijing Fenbi Box Enterprise Management LLP (北京粉筆盒子企業管理合夥企業(有限合夥)) agreed to pledge all of their equity interests in Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司) to Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司);
- (d) the shareholder right proxy agreement dated July 31, 2021 entered into among Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉筆上岸科技有限公司), Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉筆藍天科技有限公司), ZHANG Xiaolong (張小龍), LI Xin (李鑫), LI Yong (李勇), WEI Liang (魏亮), GUO Changzhen (郭常圳) and Beijing Fenbi Box Enterprise Management LLP (北京粉筆盒子企業管理合夥企業(有限合夥)), pursuant to which ZHANG Xiaolong (張小龍), LI Xin (李鑫), LI Yong (李勇), WEI Liang (魏亮), GUO Changzhen (郭常圳) and Beijing Fenbi Box Enterprise Management LLP (北京粉筆盒子企業管理合夥企業(有限合夥)) irrevocably and unconditionally appointed Beijing Fenbi

ShangAn Technology Co., Ltd. (北京粉笔上岸科技有限公司) as their proxy to exercise all of their rights as shareholders of Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉笔蓝天科技有限公司);

- (e) the loan agreement dated July 31, 2021 entered into among Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉笔上岸科技有限公司), Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉笔蓝天科技有限公司) and Shandong Lancai Tianxia Education Technology Co., Ltd. (山东蓝彩天下教育科技有限公司), pursuant to which Beijing Fenbi ShangAn Technology Co., Ltd. (北京粉笔上岸科技有限公司) agreed to provide interest-free loans to Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉笔蓝天科技有限公司) in accordance with the PRC laws and regulations for business operation and development of the subsidiary of Beijing Fenbi Bluesky Technology Co., Ltd. (北京粉笔蓝天科技有限公司); and
- (f) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights




a. Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be material to the business of our Group:

No.	Trademark	Registered Owner	Registration Number	Place of Registration	Class	Registration Date	Expiry Date
1.		Fenbi Bluesky	11123289	PRC	38	November 14, 2013	November 13, 2023
2.		Fenbi Bluesky	11123406	PRC	41	June 14, 2014	June 13, 2024
3.		Fenbi Bluesky	11123349	PRC	42	November 14, 2013	November 13, 2023
4.		Fenbi Bluesky	19209688	PRC	41	September 21, 2017	September 20, 2027
5.		Fenbi Bluesky	305762197	Hong Kong	9, 16, 35, 41	September 30, 2021	September 29, 2031
6.		Fenbi Bluesky	305189491	Hong Kong	41	February 12, 2020	February 11, 2030
7.		Fenbi Bluesky	304983139	Hong Kong	9, 41	July 5, 2019	July 4, 2029
8.		Fenbi Bluesky	19680951	PRC	41	June 7, 2017	June 6, 2027
9.		Fenbi Bluesky	23649768	PRC	9	April 7, 2018	April 6, 2028

No.	Trademark	Registered Owner	Registration Number	Place of Registration	Class	Registration Date	Expiry Date
10.		Fenbi Bluesky	23650655	PRC	16	April 21, 2018	April 20, 2028
11.		Fenbi Bluesky	23650833	PRC	35	April 7, 2018	April 6, 2028
12.		Fenbi Bluesky	23651370	PRC	45	July 28, 2018	July 27, 2028
13.		Fenbi Bluesky	30759297	PRC	9	February 21, 2019	February 20, 2029
14.		Fenbi Bluesky	30752512	PRC	35	February 28, 2019	February 27, 2029
15.		Fenbi Bluesky	30764632	PRC	38	February 21, 2019	February 20, 2029
16.		Fenbi Bluesky	30787219	PRC	41	February 21, 2019	February 20, 2029
17.		Fenbi Bluesky	45085082	PRC	8	December 21, 2020	December 20, 2030
18.		Fenbi Bluesky	45077196	PRC	9	April 7, 2021	April 6, 2031
19.		Fenbi Bluesky	45081461	PRC	14	December 7, 2020	December 6, 2030
20.		Fenbi Bluesky	45092520	PRC	15	December 7, 2020	December 6, 2030

No.	Trademark	Registered Owner	Registration Number	Place of Registration	Class	Registration Date	Expiry Date
21.		Fenbi Bluesky	45090628	PRC	18	December 7, 2020	December 6, 2030
22.		Fenbi Bluesky	45093953	PRC	20	December 7, 2020	December 6, 2030
23.		Fenbi Bluesky	45090971	PRC	21	December 7, 2020	December 6, 2030
24.		Fenbi Bluesky	45093988	PRC	24	December 7, 2020	December 6, 2030
25.		Fenbi Bluesky	45091004	PRC	25	February 21, 2021	February 20, 2031
26.		Fenbi Bluesky	45099581	PRC	26	December 14, 2020	December 13, 2030
27.		Fenbi Bluesky	45099601	PRC	28	November 21, 2020	November 20, 2030
28.		Fenbi Bluesky	45091773	PRC	16	November 28, 2020	November 27, 2030
29.		Fenbi Bluesky	46927619	PRC	16	April 21, 2021	April 20, 2031
30.		Fenbi Bluesky	49181004	PRC	9	July 7, 2021	July 6, 2031
31.		Fenbi Bluesky	49193709	PRC	9	May 7, 2021	May 6, 2031
32.		Fenbi Bluesky	49193730	PRC	41	May 7, 2021	May 6, 2031
33.		Fenbi Bluesky	53547347	PRC	9	August 28, 2021	August 27, 2031
34.		Fenbi Bluesky	53544535	PRC	41	August 28, 2021	August 27, 2031

No.	Trademark	Registered Owner	Registration Number	Place of Registration	Class	Registration Date	Expiry Date
35.		Fenbi Bluesky	53584948	PRC	35	September 7, 2021	September 6, 2031
36.		Fenbi Bluesky	53582669	PRC	16	September 7, 2021	September 6, 2031
37.		Fenbi Bluesky	53581973	PRC	45	September 7, 2021	September 6, 2031

b. Patents

As of the Latest Practicable Date, we had registered the following patents which we consider to be material to the business of our Group:

No.	Patent	Category	Patentee	Registration Number	Place of Registration	Grant Date
1.	Method, system, terminal and server for predicting scores (一種答題分數的預測方法、系統、終端及服務器)	Invention	Fenbi Bluesky	201611120922.1	PRC	May 8, 2018
2.	Establishing method, filtering method and system of rubbish text database (垃圾文本庫的建立方法、過濾方法及系統)	Invention	Fenbi Bluesky	201611085764.0	PRC	November 6, 2020
3.	Method and system for reading multiple copies (一種多副本讀取方法和系統).	Invention	Fenbi Bluesky	201710244565.8	PRC	December 15, 2020
4.	A terminal (一種終端)	Utility model	Fenbi Bluesky	201621276162.9	PRC	June 13, 2017
5.	Method, device, system and storage medium for progressive image recognition (一種漸進式圖像識別方法、裝置、系統及存儲介質) . . .	Invention	Fenbi Bluesky	201810947439.3	PRC	February 8, 2022

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be material to the business of our Group:

No.	Patent	Category	Patentee	Application Number	Place of Registration	Application Date
1.	Method, device, storage medium and equipment for image indexing of graphical reasoning questions (用於圖形推理題圖像檢索的方法、裝置、存儲介質和設備)	Invention	Fenbi Bluesky	202011413749.0	PRC	December 2, 2020
2.	Method, device, storage medium and electronic equipment for identifying text information (一種文本信息識別方法、裝置、儲存介質及電子設備)	Invention	Fenbi Bluesky	201910786037.4	PRC	August 23, 2019

c. Copyrights

As of the Latest Practicable Date, we had registered the following copyrights which we consider to be material to the business of our Group:

No.	Copyrights	Version	Registration Number	Place of Registration	Registered Owner	Registration Date
1.	iPhone app for Fenbi Graduate School Entrance Examination (粉筆考研iPhone手機軟件)	V5.0.1	2015SR287189	PRC	Fenbi Bluesky	December 29, 2015
2.	Android app for Fenbi Graduate School Entrance Examination (粉筆考研Android手機軟件)	V5.0.0	2015SR289572	PRC	Fenbi Bluesky	December 30, 2015
3.	iPhone app for Fenbi Public Examination (粉筆公考iPhone手機軟件)	V5.0.11	2015SR289592	PRC	Fenbi Bluesky	December 30, 2015
4.	Android app for Fenbi Public Examination (粉筆公考Android手機軟件)	V6.0.12	2015SR289582	PRC	Fenbi Bluesky	December 30, 2015
5.	iPhone app for Fenbi Accounting (粉筆會計iPhone手機軟件)	V1.0.2	2015SR289554	PRC	Fenbi Bluesky	December 30, 2015
6.	Android app for Fenbi Accounting (粉筆會計Android手機軟件)	V1.0.2	2015SR289089	PRC	Fenbi Bluesky	December 30, 2015
7.	iPhone app for Fenbi Judicial Examination (粉筆司考iPhone手機軟件)	V5.0.3	2015SR289577	PRC	Fenbi Bluesky	December 30, 2015
8.	Android app for Fenbi Judicial Examination (粉筆司考Android手機軟件)	V5.0.2	2015SR291041	PRC	Fenbi Bluesky	December 31, 2015
9.	iPhone app for Fenbi Teachers (粉筆教師iPhone手機軟件)	V1.0.2	2016SR173899	PRC	Fenbi Bluesky	July 11, 2016
10.	Android app for Fenbi Teachers (粉筆教師Android手機軟件)	V1.0.2.2	2016SR173517	PRC	Fenbi Bluesky	July 11, 2016

No.	Copyrights	Version	Registration Number	Place of Registration	Registered Owner	Registration Date
11.	iPad software for Fenbi Live (for teachers) (粉筆直播教師端iPad客戶端軟件)	V1.0	2016SR180688	PRC	Fenbi Bluesky	July 14, 2016
12.	iPhone app for Fenbi Essay (粉筆申論iPhone手機軟件)	V2.1	2016SR329535	PRC	Fenbi Bluesky	November 14, 2016
13.	Android app for Fenbi Essay (粉筆申論android手機軟件)	V2.0.0	2016SR329541	PRC	Fenbi Bluesky	November 14, 2016
14.	Fenbi Online Courses Monitoring System (粉筆直播課監控系統)	V1.0	2018SR565882	PRC	Fenbi Bluesky	July 19, 2018
15.	Fenbi Computer Test Simulating System (粉筆上機考試模擬系統)	V1.0	2018SR575212	PRC	Fenbi Bluesky	July 23, 2018
16.	Fenbi Personalized Information Recommendation System (粉筆個性化信息流推薦系統)	V1.0	2018SR575202	PRC	Fenbi Bluesky	July 23, 2018
17.	Android app for Fenbi CET-4 and CET-6 Examination (粉筆四六級Android手機軟件)	V1.0.1	2018SR966102	PRC	Fenbi Bluesky	December 3, 2018
18.	Android app for Fenbi Healthcare (粉筆醫療Android手機軟件)	V1.0.0	2018SR990480	PRC	Fenbi Bluesky	December 7, 2018
19.	Android app for Fenbi Construction Industry (粉筆建工Android手機軟件)	V1.0.0	2018SR990651	PRC	Fenbi Bluesky	December 7, 2018
20.	Android app for Fenbi Level 2 Computer Examination (粉筆計算機二級題庫Android版手機軟件)	V1.0.0	2018SR1011880	PRC	Fenbi Bluesky	December 13, 2018
21.	Android app for Question Database for School Recruitment Application (校招網申題庫Android版手機軟件)	V1.0.0	2018SR1032412	PRC	Fenbi Bluesky	December 18, 2018
22.	Android app for Question Database for Technical Recruitment (技術招聘題庫Android版手機軟件)	V1.0.0	2018SR1033619	PRC	Fenbi Bluesky	December 18, 2018
23.	Android app for Fenbi Driving Examination (粉筆駕考Android版手機軟件)	V1.0.0	2019SR0064411	PRC	Fenbi Bluesky	January 18, 2019
24.	Fenbi app (粉筆APP客戶端軟件)	V6.7.9	2019SR0256974	PRC	Fenbi Bluesky	March 18, 2019
25.	Audio and video VR learning transmission system based on 5G technology (基於5G技術的音視頻VR學習傳輸系統)	V1.0	2020SR0458324	PRC	Fenbi Bluesky	May 15, 2020
26.	Fenbi Official Website System (粉筆官網系統)	V1.0	2020SR0516331	PRC	Fenbi Bluesky	May 27, 2020
27.	Fenbi Education app (粉筆教育小程序)	V3.0	2020SR1546655	PRC	Fenbi Bluesky	November 5, 2020
28.	Fenbi Education Official Website (粉筆教育官網)	V3.0	2020SR1546669	PRC	Fenbi Bluesky	November 5, 2020

No.	Copyrights	Version	Registration Number	Place of Registration	Registered Owner	Registration Date
29.	Fenbi Education app (粉筆教育APP軟件). . .	V6.12.7	2020SR1510277	PRC	Fenbi Bluesky	October 14, 2020
30.	Order Management System (訂單管理系統).	V1.0	2020SR1510276	PRC	Fenbi Bluesky	October 14, 2020
31.	iPhone app for Fenbi National Judicial Examinations (粉筆法考iPhone手機軟件).	V1.0.8	2021SR0231953	PRC	Fenbi Bluesky	February 8, 2021
32.	iPhone app for Fenbi Driving Examinations (粉筆駕考iPhone手機軟件).	V1.0.0	2021SR0231716	PRC	Fenbi Bluesky	February 8, 2021
33.	iPhone app for Fenbi CET-4 and CET-6 Examination (粉筆四六級iPhone手機軟件).	V2.5.1	2021SR0231728	PRC	Fenbi Bluesky	February 8, 2021
34.	iPhone app for Fenbi Healthcare (粉筆醫療iPhone手機軟件).	V1.0.4	2021SR0231729	PRC	Fenbi Bluesky	February 8, 2021
35.	Fenbi Courses app (粉筆課堂APP)	V1.0	2021SR0911875	PRC	Fenbi Bluesky	June 17, 2021
36.	iOS app for Fenbi Career Test Preparation (粉筆職教app軟件(iOS版)).	V6.15.15	2021SR1306098	PRC	Fenbi Bluesky	September 1, 2021
37.	Android app for Fenbi Career Test Preparation (粉筆職教app軟件(安卓版)).	V6.15.16	2021SR1306097	PRC	Fenbi Bluesky	September 1, 2021
38.	Content review platform (內容審核平台). . .	V1.0.0	2022SR0739778	PRC	Fenbi Bluesky	June 13, 2022

d. Domain names

As of the Latest Practicable Date, we have registered the following domain names which we consider to be material to the business of our Group:

No.	Domain names	Registered Owner	Registration Date	Expiry Date
1.	fenbi.com	Fenbi Bluesky	February 11, 2004	February 11, 2031
2.	fenbilantian.cn	Fenbi Bluesky	March 19, 2015	March 19, 2028

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

a. *Interests of our Directors and chief executive in the share capital of our Company and our associated corporations following the Global Offering*

Immediately following completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account any Shares to be issued pursuant to the Pre-IPO Share Option Scheme), the interests or short positions of the Directors and the chief executive in the Shares, underlying Shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, once the Shares are listed, will be as follows:

(i) *Interests in Shares or Underlying Shares*

Name of Director	Nature of interest	Number of Shares ⁽¹⁾	Approximate percentage of shareholding in our Company immediately after the Global Offering
Mr. ZHANG Xiaolong ⁽²⁾	Interest in controlled corporation	257,200,000 (L)	12.26%
	Interest held jointly with another person	504,257,000 (L)	24.04%
Mr. WEI Liang ⁽³⁾	Interest in controlled corporation	57,665,000 (L)	2.75%
	Beneficial interest	27,500,000 (L)	1.31%
	Interest held jointly with another person	676,292,000 (L)	32.25%
Mr. LI Yong ⁽⁴⁾	Interest in controlled corporation	259,736,000 (L)	12.38%
	Interest held jointly with another person	501,721,000 (L)	23.92%
Mr. LI Xin ⁽⁵⁾	Beneficial interest	79,132,000 (L)	3.77%
	Interest in controlled corporation	80,224,000 (L)	3.83%
	Interest held jointly with another person	602,101,000 (L)	28.71%

(1) The letter “L” denotes the person’s long position in the Shares.

(2) See “Substantial Shareholders” in this prospectus for details.

(3) See “Substantial Shareholders” in this prospectus for details.

(4) See “Substantial Shareholders” in this prospectus for details.

(5) See “Substantial Shareholders” in this prospectus for details.

(ii) Interests in associated corporations of our Company

Name	Nature of interest	Number of associated corporation	Approximate percentage of interest
Mr. ZHANG Xiaolong ⁽¹⁾	Beneficial interest; interest in controlled corporation	Fenbi Bluesky	97.45%
Mr. WEI Liang	Beneficial interest	Fenbi Bluesky	2.25%
Mr. LI Yong	Beneficial interest	Fenbi Bluesky	0.10%
Mr. LI Xin	Beneficial interest	Fenbi Bluesky	0.10%

(1) Mr. Zhang is the general partner of Beijing Fenbi Box and thus deemed to be interested in the entire interests held by Beijing Fenbi Box in Fenbi Bluesky, namely 5% of the equity interests in Fenbi Bluesky.

b. Interests and short positions of the substantial shareholders in the Shares and underlying Shares of our Company

Save as disclosed in “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any interest or short position in the Shares or underlying shares of the Company, which, upon the Listing, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

2. Directors’ service contracts and letters of appointment

On December 20, 2022, each of the executive Directors has entered into a service contract with our Company, and each of the non-executive Directors and independent non-executive Directors have entered into letters of appointment with our Company. The service contracts with each of the executive Directors are for an initial fixed term of three years commencing from the date of such service contract. The letters of appointment with each of the non-executive Directors are for an initial fixed term of three years commencing from the date of such letter of appointment. The letters of appointment with each of the independent non-executive Directors are for an initial fixed term of three years commencing from the Listing Date. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms or by either party giving to the other not less than three-month prior written notice. The appointment of the Directors is subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, into a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors’ remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances, share-based compensation and other allowances and benefits in kind and discretionary bonuses) paid to our Directors for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 were approximately RMB2.5 million, RMB2.0 million, RMB113.1 million and RMB1.3 million, respectively.

Under the arrangements currently in force, we estimate that the aggregate emolument payable to the Directors (excluding discretionary bonus and any options granted pursuant to share incentive schemes) by our Company for the year ending December 31, 2022 will be approximately RMB3.0 million.

Save as disclosed above, no other payments have been made or are payable for the years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022 by our Company to any of our Directors.

4. Disclaimers

- (a) Save as disclosed in “History, Reorganization and Corporate Structure,” none of the Directors nor any of the parties listed in “— E. Other Information — 9. Consents of experts” of this Appendix is interested directly or indirectly, in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries.
- (b) Save in connection with the Underwriting Agreements and as disclosed in “Connected Transactions,” none of the Directors nor any of the parties listed in “— E. Other Information — 9. Consents of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Company’s business taken as a whole.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in “E. Other Information — 9. Consents of experts” of this Appendix:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group.
- (d) Save as disclosed in this Appendix, none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).
- (e) None of the Directors or their associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of the Directors, owns more than 5% of our Company’s issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group.

D. PRE-IPO SHARE OPTION SCHEME

The following is a summary of the principal terms of Pre-IPO Share Option Scheme adopted on December 31, 2020. The Pre-IPO Share Option Scheme is not subject to the provisions of Chapter 17 of the Listing Rules.

(a) Purposes

The purpose of the Pre-IPO Share Option Scheme is to provide a means through which the Group may attract able persons to enter and remain in the employ of the Group and to provide a means whereby employees, directors and consultants of the Group can acquire and maintain share ownership, thereby strengthening their commitment to the welfare of the Group and promoting an identity of interest between shareholders and these employees, directors and consultants.

(b) Number of Shares

The maximum aggregate number of shares which may be issued for all the options (the “Option(s)”) pursuant to the Pre-IPO Share Option Scheme is 218,792,500 shares (after the Share Subdivision), representing approximately 10.53% of the issued share capital of our Company immediately prior to the completion of the Global Offering and approximately 10.43% of the issued share capital of our Company immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option and without taking into account of any Shares that may be issued under the Pre-IPO Share Option Scheme).

(c) Participants

Persons eligible to participate in the Pre-IPO Share Option Scheme include (i) individual regularly employed by the Company, any parent, subsidiary or affiliate of the Company; (ii) director of the Company, any parent, subsidiary or affiliate of the Company, (iii) consultant or advisor to the Company, any parent, subsidiary or affiliate of the Company, or (iv) exclusive teachers engaged by the Company, any parent, subsidiary or affiliate of the Company (the “Participants”). Subject to the provisions of the Pre-IPO Share Option Scheme, the Participants shall be determined by the Board or any person or committee designated by the Board (the “Administrator”).

(d) Administration

Subject to the provisions of the Pre-IPO Share Option Scheme and applicable law, the Administrator shall have the power, in addition to other express powers and authorizations conferred on the Administrator by the Pre-IPO Share Option Scheme, to: (i) designate Participants; (ii) determine the number and type of shares to be covered by, or with respect to which payments, rights, or other matters are to be calculated in connection with the Options; (iii) determine the terms and conditions of any Options; (iv) determine whether, to what extent, and under what circumstances the Options may be settled or exercised in cash, the Shares, other securities, other Options, or other property, or canceled, forfeited, or suspended and the method or methods by which Options may be settled, exercised, canceled, forfeited, or suspended; (v) interpret, administer, reconcile any inconsistency, correct any default and/or supply any omission in the Pre-IPO Share Option Scheme or any instrument or agreement relating to, or the Option granted under, the Pre-IPO Share Option Scheme; (vi) establish, amend, suspend, or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Pre-IPO Share Option Scheme; and (vii) make any other determination and take any other action that the Administrator deems necessary or desirable for the administration of the Pre-IPO Share Option Scheme.

Unless otherwise expressly provided in the Pre-IPO Share Option Scheme, all designations, determinations, interpretations, and other decisions under or with respect to the Pre-IPO Share Option Scheme, any Option, any share option agreement or any other documents evidencing any and all Options, shall be within the sole discretion of the Administrator, may be made at any time pursuant to the Pre-IPO Share Option Scheme and shall be final, conclusive, and binding.

(e) Duration

The Pre-IPO Share Option Scheme shall be valid and effective for a period of ten (10) years commencing on the date of adoption of such scheme; provided, however, that the administration of the Pre-IPO Share Option Scheme shall continue in effect until all matters relating to the Options previously granted have been settled.

(f) Grant of Options

The Administrator may, from time to time, grant the Options to one or more eligible persons or any trust formed and maintained for the benefit of any eligible persons.

(g) Exercise of Options

No shares shall be issued pursuant to any exercise of an Option until payment in full of the aggregate exercise price therefor is received by the Company. The Options which have become exercisable may be exercised in whole or in part at any time when approved by the Administrator, accompanied by payment of the exercise price. The exercise price shall be payable in cash (including by certified check or wire transfer) or as determined by the Administrator, in its/his sole discretion, (i) by means of any cashless exercise procedure approved by the Administrator, (ii) any other form of consideration approved by the Administrator and permitted by applicable law or (iii) any combination of the foregoing.

Without limiting the foregoing, the Options may not be exercised until all registrations, consents, approvals, filings or waivers required under applicable laws, including the laws and regulations of the PRC, are duly obtained. In particular, the exercise of the Options shall be conditioned by the Participant's receipt of requisite approvals issued by SAFE with regard to the Options and other requisite approvals issued by the relevant PRC government authorities in connections thereof.

(h) Vesting

The Options granted to each Participant shall vest and become exercisable such time or times and subject to such terms and conditions as shall be determined by the Administrator and reflected in the share option agreement; provided, however, that notwithstanding the vesting schedule in each share option agreement, the Administrator may in its sole discretion accelerate the exercisability of any Option to the extent in compliance with the shareholders agreement of the Company (as amended and restated), which acceleration shall not affect the terms and conditions of any such Option other than with respect to exercisability.

(i) Reorganization in Capital Structure

The Options granted under the Pre-IPO Share Option Scheme and the maximum number of the shares which may be issued pursuant to the Pre-IPO Share Option Scheme shall be subject to adjustment or substitution, as determined by the Administrator in its/his sole discretion, as to the number, price, kind or class of shares or other consideration subject to such Options or as otherwise determined by the Administrator to be equitable (i) in the event of changes in the issued and outstanding shares or in the capital structure of the Company by reason of a bonus issue or extraordinary cash dividends, share splits, reverse share splits, recapitalization, reorganizations, mergers, consolidations, combinations, exchanges or other relevant changes in capitalization or (ii) in the event of any change in applicable laws or any change in circumstances that results in or would result in any substantial dilution or enlargement of the rights granted to, or available for, Participants, or that otherwise warrants equitable adjustment because it interferes with the intended operation of the Pre-IPO Share Option Scheme. The Company shall give each Participant notice of an adjustment hereunder and, upon notice, such adjustment shall be conclusive and binding for all purposes.

(j) Amendments and Termination

Subject to the Company's memorandum and articles of association, the Board may amend, alter, suspend, discontinue, or terminate the Pre-IPO Share Option Scheme or any portion thereof at any time; provided that no such amendment, alteration, suspension, discontinuation or termination shall be made without shareholders' approval if such approval is necessary to comply with any tax or regulatory requirement applicable to the Pre-IPO Share Option Scheme or the Company's memorandum and articles of association; and provided further that any such amendment, alteration, suspension, discontinuance or termination that would impair the rights of any Participant or any holder or beneficiary of any Option theretofore granted shall not to that extent be effective without the consent of the affected Participant, holder or beneficiary.

(k) Outstanding options granted under the Pre-IPO Share Option Scheme

As of the Latest Practicable Date, our Company had granted options under the Pre-IPO Share Option Scheme to 1,091 grantees, including Directors and senior management of the Company and other employees of our Group, to subscribe for an aggregate of 218,537,500 Shares (after the Share Subdivision). The Shares underlying the granted options represent 10.42% of the total number of Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Option Scheme).

Assuming full issuance of Shares pursuant to all the share options granted under the Pre-IPO Share Option Scheme, the shareholding of our Shareholders immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised) will be diluted by approximately 9.44%. Consequently, the earnings per share (after the Share Subdivision) for the year ended December 31, 2019 were diluted from RMB0.211 to RMB0.202. The consequent impact on the earnings per ordinary share for the years ended December 31, 2020 and 2021 and the six months ended June 30, 2022 is nil, nil and nil, respectively, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

After the Listing, no new Options shall be granted, except that the outstanding Options granted shall in all other respects remain in full force and effect.

The table below sets out the details of the outstanding options granted to the Directors, senior management and other connected persons of our Company as of the Latest Practicable Date. No other outstanding options were granted to connected persons of our Company other than those listed in the table below. Such outstanding and unexercised options granted under the Pre-IPO Share Option Scheme will have potential dilution effect on the shareholding of our Company's Shareholders. Therefore, we set forth below the information on the outstanding and unexercised options granted under the Pre-IPO Share Option Scheme as of the Latest Practicable Date to enable potential investors to assess the potential dilution effect on their shareholding by these outstanding and unexercised options.

Name	Role	Address	Date of grant	Vesting period ⁽²⁾	Exercise price	Number of Shares under the outstanding options granted ⁽³⁾	Approximate percentage of shareholding immediately after completion of the Global Offering ⁽¹⁾
<i>Director</i>							
WEI Liang	Executive Director, president and chief technology officer	No. 604, Building 2, Kouzhong Beili, Xicheng District, Beijing, PRC	October 1, 2021 to October 25, 2022	Nil	US\$0.00001 per Share	27,500,000	1.31%
<i>Senior management</i>							
RAN Dong	Chief financial officer and vice president	7/D, Tower 5, Parc Inverness, No 38 Inverness Road, Kowloon, Hong Kong	September 14, 2020 to October 25, 2022	0 to 4 years	US\$0.00001 per Share	9,241,250	0.44%
SHENG Haiyan . . .	Vice president	Room 403, Building 8, Furongli Community, Haidian, Beijing, PRC	April 7, 2016 to October 25, 2022	3 to 4 years	US\$0.00001 per Share	10,800,000	0.51%
LI Yan	Vice president	Room 202, Building 5, No. 23, Xiaoying North Road, Asian Games Village, Chaoyang, Beijing, PRC	March 7, 2018 to October 25, 2022	0 to 4 years	US\$0.00001 per Share	14,490,000	0.69%
<i>Subtotal.</i>						<u>62,031,250</u>	<u>2.96%</u>

- (1) Assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme.
- (2) The exercise period of the options under the Pre-IPO Share Option Scheme commences from the vesting commencement date of the relevant options and ends tenth anniversary of the grant date, subject to the terms of the Pre-IPO Share Option Scheme and the share option agreement signed by the grantee. No consideration was paid by the grantees for the outstanding options granted under the Pre-IPO Share Option Scheme.
- (3) Including the grants under the previous share incentive plans of the Group, which have been entirely replaced by the Pre-IPO Share Options Scheme. The number of shares is adjusted to reflect the Share Subdivision.

The table below sets out the details of the outstanding options granted to our employees (other than the Directors, senior management and connected persons of the Company) who have been granted options to subscribe for 5,000,000 Shares or more under the Pre-IPO Share Option Scheme as of the Latest Practicable Date.

Name	Role	Address	Date of grant	Vesting period ⁽²⁾	Exercise price	Number of Shares under the outstanding options granted ⁽³⁾	Approximately percentage of shareholding immediately after completion of the Global Offering ⁽¹⁾
CHEN Jianhua	Vice president of technology	Room 4-4-401, 20 Courtyard, Caoqiao East Road, Beijing, PRC	April 7, 2016 to October 25, 2022	0 to 4 years	US\$0.00001 per Share	15,670,000	0.75%
LIU Shuai	Vice president, online civil servants examination tutoring	Room 401, Unit 1, Building 6, Jinyu Park, 7 Courtyard, North Park Road, Changyang Town, Fangshan District, Beijing, PRC	November 1, 2019 to October 25, 2022	4 years	US\$0.00001 per Share	14,000,000	0.67%
LIU Yuyang	Assistant vice president	Room 802, Unit 4, Building 3, A7 Courtyard, Yaojiayuan Xili, Chaoyang District, Beijing, PRC	April 7, 2016 to October 1, 2021	0 to 4 years	US\$0.00001 per Share	9,370,000	0.45%
ZHOU Wenxing	Vice president, offline business division	Room 28-208, Block 10, Venetian Water City, Jiangbei New District, Nanjing, Jiangsu Province, PRC	January 1, 2017 to October 25, 2020	3 to 4 years	US\$0.00001 per Share	8,197,980	0.39%
HUANG Bin.	Director of administrative department	Room 2302, Building 7, 8 Courtyard, Chaoyang Park South Road, Chaoyang District, Beijing, PRC	December 10, 2020	Nil	US\$0.00001 per Share	7,600,000	0.36%
ZHANG Fan.	Director of the president's office	Room 110, No.2 Langshan Road, Nanshan District, Shenzhen, Guangdong Province, PRC	January 2, 2021 to July 6, 2021	Nil	US\$0.00001 per Share	7,530,000	0.36%
Subtotal						62,367,980	2.97%

- (1) Assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme.
- (2) The exercise period of the options under the Pre-IPO Share Option Scheme commences from the vesting commencement date of the relevant options and ends tenth anniversary of the grant date, subject to the terms of the Pre-IPO Share Option Scheme and the share option agreement signed by the grantee. No consideration was paid by the grantees for the outstanding options granted under the Pre-IPO Share Option Scheme.
- (3) Including the grants under the previous share incentive plans of the Group, which have been entirely replaced by the Pre-IPO Share Options Scheme. The number of shares is adjusted to reflect the Share Subdivision.

The table below sets out the details of the outstanding options granted to the remaining 1,081 grantees under the Pre-IPO Share Option Scheme other than (1) the Directors, members of the senior management or connected persons of our Company; (2) other grantees who have been granted options to subscribe for 5,000,000 or more Shares as of the Latest Practicable Date.

Range of Shares underlying outstanding Options	Total number of grantees	Date of grant	Vesting period ⁽²⁾	Exercise price	Number of Shares under the outstanding options granted ⁽³⁾	Approximate percentage of shareholding immediately after completion of the Global Offering ⁽¹⁾
1 Shares to 49,999 Shares	895	January 1, 2019 to July 1, 2022	4 years	US\$0.00001 per Share	6,881,570	0.33%
50,000 Shares to 199,999 Shares	106	April 7, 2016 to January 1, 2022	0 to 4 years	US\$0.00001 per Share	11,757,750	0.56%
200,000 Shares to 999,999 Shares	58	April 7, 2016 to April 1, 2022	0 to 4 years	US\$0.00001 per Share	23,509,950	1.12%
1,000,000 Shares to 4,999,999 Shares	22	April 7, 2016 to October 25, 2022	0 to 4 years	US\$0.00001 per Share	51,989,000	2.48%
Subtotal	1,081				94,138,270	4.49%

(1) Assuming the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Option Scheme.

(2) The exercise period of the options under the Pre-IPO Share Option Scheme commences from the vesting commencement date of the relevant options and ends tenth anniversary of the grant date, subject to the terms of the Pre-IPO Share Option Scheme and the share option agreement signed by the grantee. No consideration was paid by the grantees for the outstanding options granted under the Pre-IPO Share Option Scheme.

(3) Including the grants under the previous share incentive plans of the Group, which have been entirely replaced by the Pre-IPO Share Options Scheme. The number of shares is adjusted to reflect the Share Subdivision.

E. OTHER INFORMATION**1. Estate duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to the Directors to be pending or threatened by or against any member of our Group, that would have a material adverse effect on our results of operations or financial condition.

3. Joint Sponsors and Joint Sponsor-Overall Coordinators

The Joint Sponsors made an application on our Company's behalf to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares falling to be issued pursuant to the exercise of the Over-allotment Option) and the Shares to be issued under the Pre-IPO Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

Each of the Joint Sponsors and Joint Sponsor-Overall Coordinators satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The aggregate fees payable to the Joint Sponsors are US\$0.9 million and are payable by our Company.

4. Preliminary expenses

Our Company's estimated preliminary expenses are approximately RMB14,500 and have been paid by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor is any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

6. No material adverse change

The Directors confirm that there has been no material adverse change in their financial or trading position or prospects since June 30, 2022, and there has been no event since June 30, 2022 which would materially affect the information presented in our consolidated financial statements included in the Accountant's Report in Appendix I to this prospectus.

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Citigroup Global Markets Asia Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities as defined under the SFO
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities under the SFO
Merrill Lynch (Asia Pacific) Limited	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Cap. 50) Registered Public Interest Entity Auditor under Accounting and Financial Reporting Council Ordinance (Cap. 588)
Jingtian & Gongcheng	Legal advisors to the Company as to PRC laws
Walkers (Hong Kong)	Legal advisors to the Company as to Cayman Islands laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Industry consultants
Taitong Construction Co., Ltd.	Fire Safety Consultant
CM Law Firm	Legal advisors to the Company as to PRC cybersecurity and data privacy protection laws

9. Consents of experts

Each of the experts as referred to in “— E. Other Information — 8. Qualifications of experts” above in this prospectus has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

As of the Latest Practicable Date, save as in connection with the Underwriting Agreements, none of the experts named above had any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

10. Bilingual prospectus

Pursuant to Rule 11.14 of the Listing Rules and section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), the English language and Chinese language versions of this prospectus are being published separately but are available to the public at the same time.

11. Miscellaneous

- (a) Within the two years immediately preceding the date of this prospectus, save as disclosed in “History, Reorganization and Corporate Structure” in this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash.
- (b) Other than the options granted under the Pre-IPO Share Option Scheme, no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) Neither our Company nor any of our subsidiaries has issued or agreed to issue any founder shares, management shares or deferred shares.
- (d) Other than the Underwriting Agreements, within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group.
- (e) Within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any Shares in or debentures of our Company or any of our subsidiaries.
- (f) None of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.
- (g) Our Company has no outstanding convertible debt securities.
- (h) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.
- (i) There is no arrangement under which future dividends are waived or agreed to be waived.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were, among others:

- (a) a copy of the **GREEN** Application Form;
- (b) a copy of each of the material contracts referred to in “Appendix IV — Statutory and General Information — B. Further Information about Our Company’s Business — 1. Summary of the Material Contracts”; and
- (c) the written consents referred to in “Appendix IV — Statutory and General Information — E. Other Information — 9. Consents of experts.”

2. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange at www.hkexnews.hk and our website at www.fenbi.com during a period of 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountant’s Report for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the audited consolidated financial statements of our Company for the three years ended December 31, 2019, 2020 and 2021 and the six months ended June 30, 2022;
- (e) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisors, in respect of certain aspects of our Group and the property interests of our Group;
- (f) the legal opinion issued by CM Law Firm, the legal advisors to the Company as to PRC cybersecurity and data privacy protection laws;
- (g) the letter of advice issued by Walkers (Hong Kong), our Cayman legal advisors, in respect of certain aspects of the Cayman Companies Act referred to in Appendix III to this prospectus;
- (h) the Cayman Companies Act;
- (i) the material contracts referred to in “Appendix IV — Statutory and General Information — B. Further Information about Our Company’s Business — 1. Summary of the Material Contracts”;
- (j) the written consents referred to in “Appendix IV — Statutory and General Information — E. Other Information — 9. Consents of experts”;
- (k) service contracts and letters of appointment referred to in “Appendix IV — Statutory and General Information — C. Further Information about Our Directors and Substantial Shareholders — 2. Directors’ service contracts and letters of appointment”;
- (l) the rules of the Pre-IPO Share Option Scheme;
- (m) the F&S Report; and
- (n) the report issued by Taitong Construction Co., Ltd., the Fire Safety Consultant, in respect of its findings on the fire safety inspection on certain leased properties of the Group which had not obtained relevant fire safety approvals.

3. DOCUMENT AVAILABLE FOR INSPECTION

A copy of a full list of grantees under the Pre-IPO Share Option Scheme, containing all the particulars as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be available for inspection at the office of Wilson Sonsini Goodrich & Rosati at Suite 1509, 15/F, Jardine House, 1 Connaught Place, Central, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus.

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